SCORE MEDIA & GAMING INC.
ANNUAL REPORT
F2019

BET

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BOARD OF DIRECTORS

John Levy	Chairman and Chief Executive Officer – Score Media and Gaming Inc.
Benjamin Levy	President and Chief Operating Officer – Score Media and Gaming Inc.
Ralph E. Lean, Q.C.	Deputy Chairman - Hampton Financial Corp.
John Albright	Co-Founder and Managing Partner – Relay Ventures
Lorry H. Schneider	Principal – LHS & Associates
Mark A. Scholes	Partner – Weisz, Rocchi & Scholes
William E. Thomson	Managing Partner – Mercana Growth Partners
Mark J. Zega	Partner – Filion Wakely Thorup Angeletti LLP

Going All In!

theScore Bet launch was the cornerstone of a transformative year for theScore

This past September we officially launched theScore Bet and became the first media company in North America to create and operate a mobile sportsbook in the United States. It's hard for me to express just how excited we are about this major achievement. In less than nine months since we announced our intention to develop our own mobile sportsbook and secured market access in New Jersey through our agreement with Monmouth Park Racetrack, we brought our plan to life.

Natively built for iOS and Android, theScore Bet is a comprehensive mobile sportsbook, designed to be uniquely integrated with our flagship sports app that today serves millions of sports fans.

theScore Bet features an easy-to-use interface with a wide variety of pre-game and in-game betting markets, lightning-fast scores and in-game data, and secure deposit and withdrawal options. Able to stand up against any other sportsbook in the market, the power of theScore Bet is truly unleashed in how it connects and leverages our users' experiences in theScore sports app, uniquely positioning us in the media and gaming ecosystem. From the start, this integration enabled us to extend the deep personalization capabilities long-loved by our sports app audience to theScore Bet.

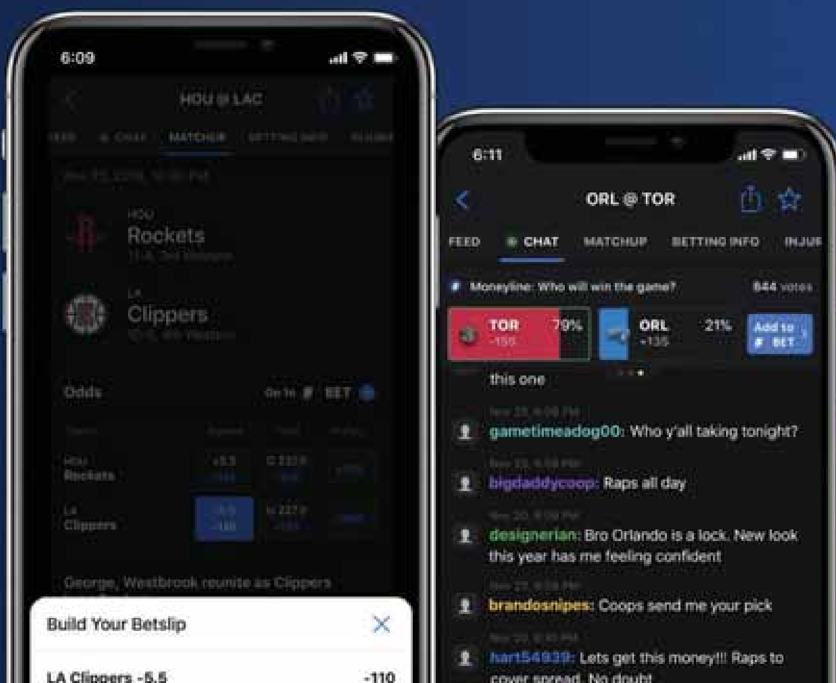
> *We saw the launch of our gaming operations as the natural next phase in the evolution of theScore*

We also introduced new game-changing betting enhancements in theScore sports app through **Bet Mode**. Bet Mode takes the mobile sportsbook's lightning-fast scores updates and live odds to power an enriched media experience and facilitate a seamless transition between the two experiences.

Later in the fall, we released **FUSE by theScore**. FUSE featured a new suite of integrations that accelerate the media to betting experience. The marquee integration is the ability to build a betslip from within our sports app, including markets for moneylines, spreads, and totals. A single tap takes the user directly into theScore Bet, where login can be completed with Face ID®, enabling users to go from media app to placed bet within seconds. Additional integrations were added on our highly-engaging public chat pages, where users now have the opportunity to place a bet based on their votes from betting polls.

The achievements of our incredible product development and software engineering team cannot be understated. They not only built a native mobile betting app from the ground-up, but also delivered on the very challenging proposition of tightly integrating our media and betting platforms. Our ecosystem is inherently unique and unlike anything in the market today. And this is just the beginning. We've only scratched the surface on how to make betting easier and more intuitive for sports fans. I can't wait to show you what we've got in store.

While our team was working hard to ready this new product offering, we also made great strides to position us for success in our new life as a sportsbook operator. We entered into a strategic market access agreement with Penn National Gaming, the largest regional gaming operator in North America, building on our initial market access agreement in New Jersey. This deal expands our sports betting footprint, extending our access to approximately 30% of the



Introducing

FUSE

by *theScore*

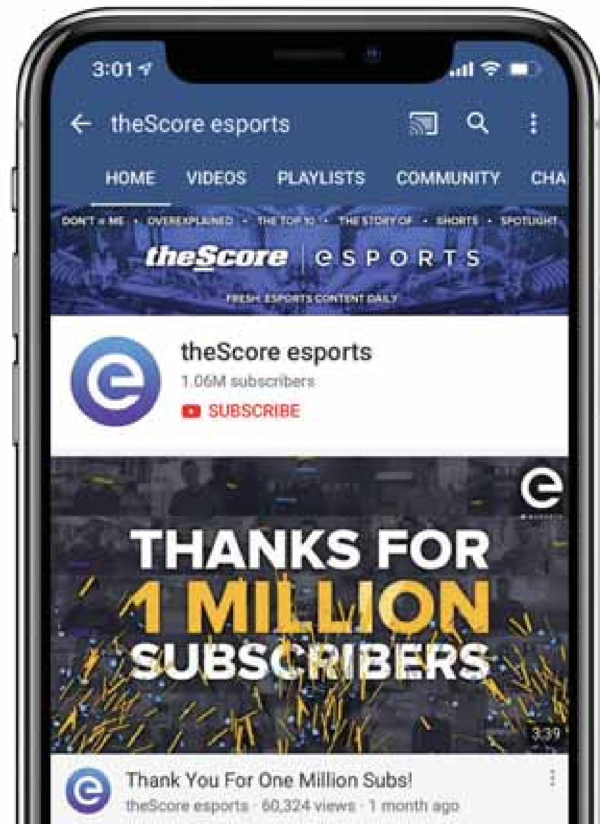
Ignite the ultimate integration between sports content and betting.

U.S. population, subject to enactment of legislation and pending receipt of all relevant licenses and approvals. Some of these markets are already open for business and we anticipate others to come online over the coming year. We will continue to pursue additional market access in states that make strategic and economic sense, and work with regulators to help shape smart gaming policy. In that regard, we are very encouraged by the recent regulatory developments in Ontario, where the provincial government is pursuing a strategy to modernize online gaming and sports betting.

We also secured a $40 million investment from Fengate Asset Management to support the development and expansion of our media and gaming businesses. The team at Fengate has a growing portfolio of gaming investments and we are thrilled to partner with them and leverage their expertise as we execute our vision.

At the same time, our flagship sports app continues to be enjoyed by over four million sports fans and remains the focal point of our product ecosystem. Between September and November 2019 (Q1 F2020), the sports app recorded 523 million average monthly user sessions, a new quarterly record with year-over-year growth of 11% - meaning our 4.3 million users opened the app an average of 123 times a month each, which is a level of engagement that very few of our competitors can compete with.

Our authentic approach to content creation continues to see unrivaled engagement on social as well. Our content across Instagram, Facebook, and Twitter reached 97 million sports fans in Q1 F2020, representing year-over-year growth of 44%. We remain one of the top sports media brands on social in North America, surpassing larger entities in engagement and growth metrics. Social continues to be an incredibly powerful branding tool and content channel in its own right.



This approach has also led to further developments of theScore esports, one of the most popular esports-focused YouTube channels today. The industry leading coverage of the competitive gaming scene continues to drive tens of millions of views every month and officially saw our YouTube channel recently surpass one million subscribers. Through compelling series like “The Story of”, “Overexplained”, “Spotlight", amongst others, our talented esports content team produces fresh content daily that is accessible to all levels of fandom. Our strategy has led to brands looking to activate against our content, including Ubisoft and Nvidia, who partnered with us on campaigns that surpassed expectations. The potential that this growing team of over 30 content creators and editors has is endless as they continue to explore new ways to inform and entertain esports fans around the world.

The past year was a fantastic testament to our ability to adapt, transform, and evolve how we serve the fan's experience. Just as we evolved from a Canadian television property to a North American leader of mobile sports media, we continue to seek out the future of sports fan engagement and move aggressively while others wait. The rapid rise of sports betting and esports have presented some of the most significant shifts in how sports are enjoyed and consumed in recent years. As we head into this coming fiscal year, there is nobody better positioned to capitalize on this immense opportunity.

Thank you,

John

Consolidated Financial Statements
(In Canadian dollars)

SCORE MEDIA AND GAMING INC.

(formerly theScore, Inc.)

And Independent Auditors' Report thereon

Years ended August 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Score Media and Gaming Inc.

Opinion

We have audited the consolidated financial statements of Score Media and Gaming Inc. (formerly theScore, Inc.) (the Entity), which comprise:

- the consolidated statements of financial position as at August 31, 2019 and 2018
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG LLP is a Canadian limited liability partnership and a member firms of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management

either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

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obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Paul Simonetta.

Toronto, Canada

October 23, 2019

SCORE MEDIA AND GAMING INC.
(formerly theScore, Inc.)

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

August 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents (note 8)	$ 4,035	$ 6,347
Restricted cash related to customer deposits (note 8)	11	–
Accounts receivable	7,956	5,839
Prepaid expenses and deposits	1,261	1,078
	13,263	13,264
Non-current assets:		
Restricted cash related to customer deposits (note 8)	668	–
Property and equipment (note 3)	1,373	1,453
Intangible and other assets (note 4)	21,760	6,074
Tax credits recoverable (note 6)	1,616	1,616
Total assets	$ 38,680	$ 22,407
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,147	$ 3,710
Current portion of deferred lease obligation	184	119
	7,331	3,829
Non-current liabilities:		
Deferred lease obligation	112	296
	7,443	4,125
Shareholders' equity	31,237	18,282
Commitments (note 9)		
Subsequent event (note 15)		
Total liabilities and shareholders' equity	$ 38,680	$ 22,407

See accompanying notes to consolidated financial statements.

On behalf of the Board:

John Levy Director

Bill Thomson Director

SCORE MEDIA AND GAMING INC.

(formerly theScore, Inc.)

Consolidated Statements of Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)

Years ended August 31, 2019 and 2018

	2019	2018
Revenue (note 11)	$ 31,121	$ 27,743
Operating expenses:		
Personnel	18,818	16,212
Content	2,109	1,771
Technology	3,014	2,906
Facilities, administrative and other	10,641	6,200
Marketing	2,472	2,490
Depreciation of property and equipment (note 3)	396	418
Amortization of intangible assets (note 4)	2,721	3,391
Stock-based compensation (note 10)	561	546
	40,732	33,934
Loss before the undernoted	(9,611)	(6,191)
Finance income, net	198	277
Net loss	(9,413)	(5,914)
Other comprehensive income:		
Foreign currency translation difference from foreign operations	4	–
Comprehensive loss	$ (9,409)	$ (5,914)
Loss per share - basic and diluted (note 12)	$ (0.03)	$ (0.02)

See accompanying notes to consolidated financial statements.

SCORE MEDIA AND GAMING INC.

(formerly theScore, Inc.)

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of Canadian dollars, except per share amounts)

Years ended August 31, 2019 and 2018

	Special voting shares		Class A subordinate voting shares						
	Amount	Number of shares	Amount	Number of shares	Contributed surplus	Cumulative translation account	Warrants	Deficit	Total shareholders' equity
Balance, August 31, 2017	$ 15	5,566	$ 68,431	295,725,284	$ 3,880	$ –	$ 529	$ (49,519)	$ 23,336
Net loss	–	–	–	–	–	–	–	(5,914)	(5,914)
Stock-based compensation expense (note 10)	–	–	–	–	546	–	–	–	546
Shares issued on exercise of stock options (note 10)	–	–	492	1,330,000	(178)	–	–	–	314
Warrant expiration	–	–	–	–	529	–	(529)	–	–
Balance, August 31, 2018	15	5,566	68,923	297,055,284	4,777	–	–	(55,433)	18,282
Net loss	–	–	–	–	–	–	–	(9,413)	(9,413)
Stock-based compensation expense (note 10)	–	–	–	–	561	–	–	–	561
Shares issued on exercise of stock options (note 10)	–	–	176	595,419	(58)	–	–	–	118
Shares issued on completion of private placement November 2018 (note 13)	–	–	8,500	36,956,522	–	–	–	–	8,500
Shares issued on completion of private placement August 2019 (note 13)	–	–	13,185	22,222,223	–	–	–	–	13,185
Foreign currency translation differences from foreign operations	–	–	–	–	–	4	–	–	4
Balance, August 31, 2019	$ 15	5,566	$ 90,784	356,829,448	$ 5,280	$ 4	$ –	$ (64,846)	$ 31,237

See accompanying notes to consolidated financial statements.

SCORE MEDIA AND GAMING INC.
(formerly theScore, Inc.)

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars, except per share amounts)

Years ended August 31, 2019 and 2018

	2019	2018
Cash flows used in operating activities:		
Net loss	$ (9,413)	$ (5,914)
Adjustments for:		
Depreciation and amortization	3,117	3,809
Stock-based compensation (note 10)	561	546
	(5,735)	(1,559)
Change in non-cash operating assets and liabilities:		
Accounts receivable	(2,117)	(261)
Restricted cash related to customer deposits	(679)	–
Prepaid expenses and deposits	(183)	160
Accounts payable and accrued liabilities	3,437	908
Deferred lease obligation	(119)	(74)
	(5,396)	(826)
Cash flows from financing activities:		
Exercise of stock options	118	314
Issuance of shares, net of transaction costs (note 13)	21,685	–
	21,803	314
Cash flows used in investing activities:		
Additions to property and equipment (note 3)	(316)	(82)
Additions to intangible and other assets (note 4)	(18,407)	(3,173)
	(18,723)	(3,255)
Decrease in cash and cash equivalents	(2,316)	(3,767)
Effect of exchange rate fluctuations on cash held	4	–
Cash and cash equivalents, beginning of year	6,347	10,114
Cash and cash equivalents, end of year	$ 4,035	$ 6,347

See accompanying notes to consolidated financial statements.

1. Nature of operations:

(a) Business:

Score Media and Gaming Inc. (formerly theScore Inc.) ("theScore" or the "Company") empowers millions of sports fans through the Company's digital media and sports betting products. The Company's sports scores and news app 'theScore' is one of the most popular in North America, delivering fans highly personalized live scores, news, stats, and betting information from their favorite teams, leagues, and players. The Company's mobile sports betting app 'theScore Bet' delivers an immersive and holistic mobile sports betting experience. Natively built for iOS and Android devices, theScore Bet is deeply integrated with the Company's media app and is currently available to place wagers in New Jersey. Publicly traded on the TSX Venture Exchange (SCR.TO), the Company also creates and distributes innovative digital content through its web, social and esports platforms.

(b) Basis of presentation and statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

These consolidated financial statements were approved by the Board of Directors of the Company on October 23, 2019.

SCORE MEDIA AND GAMING INC.
(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

2. Significant accounting policies:

(a) Basis of measurement:

The consolidated financial statements have been primarily prepared using the historical cost basis.

(b) Principles of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Company has five wholly-owned subsidiaries through which the Company owns its assets and operates its business, being Score Media Ventures Inc., ScoreMobile Inc., SDSV Inc., SDSV (Delaware) Inc., and Score Digital Sports Ventures Inc.

(ii) Intercompany transactions:

All intercompany balances and transactions with subsidiaries, and any unrealized revenue and expenses arising from intercompany transactions are eliminated in preparing these consolidated financial statements.

SCORE MEDIA AND GAMING INC.
(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

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2. Significant accounting policies (continued):

(c) New accounting policies adopted in the current year:

The Company adopted new amendments to the following accounting standards commencing September 1, 2018. These changes did not have a material impact on our financial results.

(i) IFRS 9, Financial Instruments ("IFRS 9"):

In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes International Accounting Standard ("IAS") 39, Financial Instruments: recognition and measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company adopted IFRS 9 on September 1, 2018, which replaces IAS 39.

Classification of financial assets and liabilities:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard replaces the previous classification categories of held to maturity, loans and receivables, and available for sale under IAS 39. The two principal classification categories for financial liabilities under IFRS 9 are amortized cost, and FVTPL.

For the Company's classification and measurement of financial assets and liabilities refer to note 8.

The adoption of the IFRS 9 has not had a significant impact on the Company's accounting policies for financial assets and financial liabilities.

SCORE MEDIA AND GAMING INC.

(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

2. Significant accounting policies (continued):

(a) Transition:

As a result of the adoption of IFRS 9, there was no impact on deficit as at the date of adoption of September 1, 2018. In making this determination, we note that changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

(b) Classification and measurement of financial assets and liabilities on the date of initial application of IFRS 9:

The following table shows the original measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at September 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Cash and cash equivalents	Designated as FVTPL	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

SCORE MEDIA AND GAMING INC.

(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

2. Significant accounting policies (continued):

The application of IFRS 9 resulted in the classifications as set out in the table above.

Accounts receivable that were classified as loans and receivables under IAS 39 are now classified and measured at amortized cost. There was no change in the carrying amount of accounts receivable on the date of adoption of IFRS 9 as a result of the change in classification (note 8).

(c) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets carried at amortized cost and contract assets. The adoption of the new ECL impairment model has not had a significant impact on the Company's measurement of impairment losses or on its financial assets carried at amortized cost and contract assets.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15 supersedes previous accounting standards for revenue, including IAS 18, Revenue, and International Financial Reporting Interpretations Committee 13, Customer Loyalty Programme. IFRS 15 introduced a single model for recognizing revenue from contracts with customers.

This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRS.

SCORE MEDIA AND GAMING INC.
(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

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2. Significant accounting policies (continued):

The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. The Company has adopted IFRS 15 in its consolidated financial statements for the annual period beginning on September 1, 2018. The application of this new standard has no significant impact on the Company's reported results with regards to the timing of recognition and classification of revenue, and the treatment of costs incurred in acquiring customer contracts. Further, the application of IFRS 15 does not affect the Company's cash flows from operations or the methods and underlying economics through which it transacts with its customers.

SCORE MEDIA AND GAMING INC.
(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

2. Significant accounting policies (continued):

(d) Property and equipment:

(i) Recognition and measurement:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenses that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment and depreciated accordingly. The carrying amount of any replaced component or a component no longer in use is derecognized.

(ii) Subsequent costs:

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item of property and equipment will flow to the Company and the costs of the item can be reliably measured. All other expenses are charged to operating expenses as incurred.

SCORE MEDIA AND GAMING INC.

(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

2. Significant accounting policies (continued):

(iii) Depreciation:

Depreciation is based on the cost of an asset less its estimated residual value. Depreciation is charged to income or loss over the estimated useful life of an asset. Depreciation is provided on a declining-balance basis using the following annual rates:

Computer equipment	30%
Office equipment	20%
Leasehold improvements	Shorter of asset's useful life and the term of lease

Depreciation methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. The effect of such changes is recognized on a prospective basis in the consolidated financial statements.

(e) Foreign currency translation:

(i) Foreign currency transactions:

Foreign currency transactions are translated to the Company's functional currency using exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

(ii) Foreign balances:

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars using average exchange rates for the month during which the transactions occurred. Foreign currency differences are recognized in other comprehensive income in the cumulative translation account.

SCORE MEDIA AND GAMING INC.

(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

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2. Significant accounting policies (continued):

(f) Intangible assets:

Product development costs are only capitalized if the general recognition requirements in IAS 38, Intangible Assets ("IAS 38") are met, which include whether the item meets the definition of an intangible asset and that it is probable that expected future economic benefits will flow to the Company and that the cost of the asset can be measured reliably. To meet the definition criteria, one of the factors the Company assesses is whether the item is capable of being separated or divided from the Company. Expenditures that are considered to relate to development of the business as a whole are not capitalized as intangible assets and are expensed when incurred. Costs such as enhancements and routine maintenance are expensed when incurred.

Product development costs are also only capitalized if the Company can demonstrate all of the following:

- the technological feasibility of the project;
- the intention to complete the project and use or sell it;
- the availability of adequate resources to complete the project;
- the ability to sell or use the intangible asset created;
- the ability to reliably measure the expenditure attributable to the asset during the development phase; and
- how the intangible asset will generate probable future economic benefits.

If the projects being reviewed do not meet the criteria for capitalization, the related costs are expensed when incurred. See note 2(q) for a discussion of estimates and judgments.

Product development costs are amortized on a 30% declining-balance basis commencing when they are available for use and form part of the revenue-producing activities of the Company. Research, maintenance, improvements, promotional and advertising expenses associated with the Company's products are expensed as incurred.

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2. Significant accounting policies (continued):

Intangible assets with finite useful lives are amortized over their expected useful lives and are tested for impairment, as described in note 2(g). Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually and revised if the current method, estimated useful life, or residual value is different from that estimated previously. The effects of such changes are recognized on a prospective basis in the consolidated financial statements.

Trademarks are amortized on a straight-line basis over an expected useful life of 10 years.

Computer software is typically amortized over 12 months.

Product development costs primarily consist of internal labour costs incurred by the Company in developing its products, and also include, from time to time, external contractor costs incurred. Development costs, which by definition represent costs for the production of new or substantially improved products, are capitalized from the time the project first meets both the general recognition requirements for an intangible asset in IAS 38 and the more specific criteria in IAS 38 for the recognition of an internally developed intangible asset arising from development. Capitalization ceases when the product is available for use, or when the project no longer meets the recognition criteria.

Market access licenses which are included in other assets are amortized on a straight-line basis over their respective license period which ranges from five years to 20 years.

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2. Significant accounting policies (continued):

(g) Impairment:

Impairment of non-financial assets:

The carrying values of non-financial assets with finite useful lives, such as property and equipment and intangible assets, are assessed for impairment at the end of each reporting date for indication of impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit ("CGU") to which the asset belongs is tested for impairment. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount is the greater of an asset's fair value less costs to sell or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment loss is recognized in income or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset or CGU in prior years.

(h) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under employee short-term incentive compensation plans if there is legal or constructive obligation to pay this amount at the time and the obligation can be estimated reliably.

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2. Significant accounting policies (continued):

(i) Stock-based payment transactions:

Certain members of the Company's personnel participate in stock-based compensation plans (note 10). The stock-based compensation costs are expensed by the Company under operating expenses in profit or loss. The grant date fair value of stock-based payment awards granted to the Company's employees is recognized as a compensation cost, with a corresponding increase in contributed surplus within shareholders' equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as compensation cost is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as compensation cost is based on the number of awards that vest.

(j) Provisions:

Provisions are recognized when a present obligation as a result of a past event will lead to a probable outflow of economic resources from the Company and the amount of that outflow can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Company has no material provisions as at August 31, 2019 and 2018.

(k) Operating leases:

The aggregate cost of operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

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2. Significant accounting policies (continued):

(l) Income taxes:

Deferred tax assets are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and their respective tax bases. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled.

(m) Refundable tax credits:

Refundable tax credits related to digital media development products are recognized in profit or loss when there is reasonable assurance that they will be received and the Company has and will comply with the conditions associated with the relevant government program. These investment tax credits are recorded and presented as either a deduction to the carrying amount of the asset and subsequently recognized over the useful life of the related asset or recognized directly to profit or loss based on the accounting of the initial costs incurred to which the tax credits were applied. When collection of the tax credits is not expected within 12 months of the end of the reporting years, then such amounts are classified as non-current assets.

(n) Revenue from contracts with customers:

The Company records revenue from contracts with customers in accordance with the five steps in IFRS 15 as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the amount the Company expects to be entitled to;

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2. Significant accounting policies (continued):

4. Allocate the transaction price among the performance obligations in the contract based on their relative stand-alone selling prices; and
5. Recognize revenue when or as the goods or services are transferred to the customer.

The Company's principal sources of revenue are from advertising on its digital media properties. Advertising revenue is recorded at the time advertisements are displayed on the Company's digital media properties. Funds received from advertising customers before advertisements are displayed are recorded as deferred revenue.

(o) Finance income:

Interest income on funds invested is recognized as it accrues in profit or loss, using the effective interest method.

(p) Segment information:

The Company is organized and operates as one operating segment for purposes of making operating decisions and assessing performance. The chief operating decision makers, being the Chairman and Chief Executive Officer and the President and Chief Operating Officer, evaluate performance and make decisions about resources to be allocated based on financial data consistent with the presentation in these consolidated financial statements.

Virtually all of the Company's assets are located in Canada and U.S. and most of the Company's expenses are incurred in Canada and U.S.

(q) Use of estimates and judgments:

The preparation of these consolidated financial statements requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates. Key areas of estimation and judgment are as follows:

(i) Intangible assets:

Management's judgment is applied, and estimates are used, in determining whether costs qualify for recognition as internally developed intangible assets.

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2. Significant accounting policies (continued):

To be able to recognize an intangible asset, management must demonstrate the item meets the definition of an intangible asset in IAS 38. Management exercises significant judgment in determining whether an item meets the identifiability criteria in the definition of an intangible asset which, in part, requires that the item is capable of being separated or divided from the Company and sold, transferred or licensed either individually or together with a related contract or asset, whether or not the Company intends to do so. Judgment is required to distinguish those expenditures that develop the business as a whole, which cannot be capitalized as intangible assets and are expensed in the years incurred.

Also, to recognize an intangible asset, management, in its judgment, must demonstrate that it is probable that expected future economic benefits will flow to the Company and that the cost of the asset can be measured reliably. Estimates are used to determine the probability of expected future economic benefits that will flow to the Company. Future economic benefits include net cash flows from the sports betting app as well as net cash flows from future advertising sales, which are dependent upon the ability of the Company to attract users to its products and increase user engagement with its products, and may also include anticipated cost savings, depending upon the nature of the development project.

The Company capitalized internal product development costs during the years ended August 31, 2019 and 2018 for both new development projects and projects that, in management's judgment, represent substantial improvements to existing products. In assessing whether costs can be capitalized for improvements, management exercises significant judgment when considering the extent of the improvement and whether it is substantial, whether it is sufficiently separable and whether expected future economic benefits are derived from the improvement itself. Factors considered in assessing the extent of the improvement include, but are not limited to, the degree of change in functionality and the impact of the project on the ability of the Company to attract users to its products and increase user engagement with its products. Costs which do not meet these criteria, such as enhancements and routine maintenance, are expensed when incurred.

In addition, the Company uses estimation in determining the measurement of internal labour costs capitalized to intangible assets. The capitalization estimates are based upon the nature of the activities the developer performs.

2.Significant accounting policies (continued):

Management's judgment is also used in determining appropriate amortization methods for intangible assets, and estimates are used in determining the expected useful lives of amortizable intangible assets.

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2. Significant accounting policies (continued):

(ii) Tax credits:

Refundable tax credits related to expenditures to develop digital media products are recognized when there is reasonable assurance that they will be received and the Company has and will comply with the conditions associated with the relevant government program. Management's judgment is required in determining which expenditures and projects are reasonably assured of compliance with the relevant conditions and criteria and have, accordingly, met the recognition criteria.

(iii) Impairment of non-financial assets:

An impairment test is carried out whenever events or changes in circumstances indicate that carrying amounts may not be recoverable and is performed by comparing the carrying amount of an asset or CGU and its recoverable amount. Management's judgment is required in determining whether an impairment indicator exists. The recoverable amount is the higher of fair value, less costs to sell, and its value in use over its remaining useful life.

This valuation process involves the use of methods which use assumptions to estimate future cash flows. The recoverable amount depends significantly on the discount rate used, as well as the expected future cash flows and the terminal growth rate used for extrapolation.

(iv) Allowance for doubtful accounts:

The valuation of accounts receivable requires valuation estimates to be made by management. These accounts receivable comprise a large and diverse base of advertisers dispersed across varying industries and locations that purchase advertising on the Company's digital media platforms.

The Company determines an allowance for doubtful accounts based on knowledge of the financial conditions of its customers, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience. A change in any of the factors impacting the estimate of the allowance for doubtful accounts will directly impact the amount of bad debt expense recorded in facilities, administrative and other expenses.

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2. Significant accounting policies (continued):

The loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition.

(r) Recent standards and amendments not yet effective:

IFRS 16, Leases (“IFRS 16”) will supersede the current IAS 17, Leases ("IAS 17") standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17.

The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, but only if the entity is also applying IFRS 15. The Company has the option to either apply IFRS 16 with full retrospective effect or recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

The Company will adopt IFRS 16 in its consolidated financial statements for the annual period commencing on September 1, 2019 using the modified retrospective approach. Comparative information will not be restated.

The Company is assessing the impact of IFRS 16 on the Company's consolidated financial statements. The Company estimated its adoption of the standard will result in an increase in right-of-use assets and corresponding lease liabilities in its consolidated statement of financial position, primarily related to the leased office premises. In addition, IFRS 16 replaces the straight-line operating lease expense with depreciation charge for right-of-use asset and interest expense on lease liabilities, which will result in a decrease in operating expenses and increase in depreciation expense and increase in financing costs.

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3. Property and equipment:

	Computer equipment	Office equipment	Leasehold improvements	Total
Cost				
Balance, August 31, 2017	$ 1,783	$ 917	$ 1,975	$ 4,675
Additions	57	18	7	82
Balance, August 31, 2018	1,840	935	1,982	4,757
Additions	268	34	14	316
Balance, August 31, 2019	$ 2,108	$ 969	$ 1,996	$ 5,073
Accumulated depreciation				
Balance, August 31, 2017	$ 1,271	$ 514	$ 1,101	$ 2,886
Depreciation	160	81	177	418
Balance, August 31, 2018	1,431	595	1,278	3,304
Depreciation	145	73	178	396
Balance, August 31, 2019	$ 1,576	$ 668	$ 1,456	$ 3,700
Carrying amounts				
August 31, 2017	$ 512	$ 403	$ 874	$ 1,789
August 31, 2018	409	340	704	1,453
August 31, 2019	532	301	540	1,373

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4. Intangible and other assets:

	Product development	Trademarks and domain	Computer software	Other assets and deposits	Total
Cost					
Balance, August 31, 2017	$ 19,102	$ 358	$ 1,213	$ –	$ 20,673
Additions	3,130	–	43	–	3,173
Balance, August 31, 2018	22,232	358	1,256	–	23,846
Additions	3,758	–	–	14,649	18,407
Disposals	(1,580)	–	–	–	(1,580)
Balance, August 31, 2019	$ 24,410	$ 358	$ 1,256	$ 14,649	$ 40,673
Accumulated amortization					
Balance, August 31, 2017	$ 13,034	$ 152	$ 1,195	$ –	$ 14,381
Amortization	3,314	36	41	–	3,391
Balance, August 31, 2017	16,348	188	1,236	–	17,772
Amortization	2,654	36	20	11	2,721
Disposals	(1,580)	–	–	–	(1,580)
Balance, August 31, 2018	$ 17,422	$ 224	$ 1,256	$ 11	$ 18,913
Carrying amounts					
August 31, 2017	$ 6,068	$ 206	$ 18	$ –	$ 6,292
August 31, 2018	5,884	170	20	–	6,074
August 31, 2019	6,988	134	–	14,638	21,760

During the year ended August 31, 2019, the Company capitalized internal product development costs of approximately $3,758 (2018 - $3,130).

Other assets and deposits include payments in respect of sports betting related market access licenses and associated costs, as well as deposits on sports betting related rights and licenses.

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4. Intangible and other assets (continued):

The significant development projects for the year ended August 31, 2019 consisted of new social features in the Company's media app including public and private chat, Follow Together, as well as new features including a betting data section and a new website widget. The Company has also continued developing significant new enhancements to its core technology infrastructure as well as development of its sports betting app and related systems and services.

During the years ended August 31, 2019 and 2018, the Company accelerated the amortization of the eSports application and the Squad Up fantasy game, respectively, due to the change in strategy of the products. This resulted in an incremental increase in amortization of $160 and $543 for the years ended August 31, 2019 and 2018, respectively. The eSports application had no net book value as at August 31, 2019 and was fully amortized during fiscal 2019. The Squad Up fantasy game had no net book value as at August 31, 2019 and was fully amortized during fiscal 2018.

5. Related party transactions:

(a) Lease agreement:

In fiscal 2013, the Company entered into a lease for a property partially owned by the Chairman and Chief Executive Officer of the Company. The aggregate rent paid during the years ended August 31, 2019 and 2018 amounted to $40 and $40, respectively. The payable balances as at August 31, 2019 and 2018 were nil. These transactions are recorded at the exchange amount, being the amount agreed upon between the parties.

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5. Related party transactions (continued):

(b) Transactions with key management personnel:

Key management personnel of the Company include directors and other senior executives. Total compensation costs for these key management personnel are as follows:

	2019	2018
Salaries and non-equity incentive compensation	$ 1,614	$ 970
Stock-based and other compensation	320	170
Total	$ 1,934	$ 1,140

(c) Entities controlled and directed by the Company's Chairman and Chief Executive Officer and a director of the Company participated in financing transactions during the fiscal year. Refer to note 13 for details.

6. Tax credits:

As at August 31, 2019, tax credits recoverable of $1,616 are included in tax credits recoverable - non-current, in the consolidated statements of financial position (2018- $1,616). Tax credits recoverable reflect management's best estimate of credits for which realization is reasonably assured based on consideration of both certificates of eligibility received from the Ontario Media Development Corporation ("OMDC") for specific claims and the OMDC's historical acceptance of expenditures of a similar nature for refundable credit. No tax credits were accrued during the years ended August 31, 2019, and 2018.

7. Capital risk management:

The Company's objectives in managing capital are to maintain its liquidity to fund future development and growth of the business. The capital structure consists of shareholders' equity and cash.

The Company manages and adjusts its capital structure in consideration of changes in economic conditions and the risk characteristics of the underlying assets.

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8. Financial risk management:

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about the Company's exposure to each of these risks and the Company's objectives, policies and processes for measuring and managing these risks.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Under IFRS 9, the loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition. The application of this new standard has no significant impact on the Company's reported results with regards to the loss allowance for trade receivables as at August 31, 2019. There is no significant effect on the carrying value of other financial instruments under IFRS 9 related to this new requirement. As at August 31, 2019 and 2018, the Company had a loss allowance for trade receivables of $54 and $54, respectively.

At August 31, 2019 and 2018, $1,093 and $379, respectively, of accounts receivable were considered past due, which is defined as amounts outstanding beyond normal credit terms and conditions for respective customers that can extend up to 150 days from the date of initial date of invoicing. The Company believes that its allowance for doubtful accounts sufficiently reflected the related credit risk based on the nature of the Company's customers and consideration of past performance.

The Company has customer concentration risk as one customer, a programmatic network, represented 10% of revenue, for the year ended August 31, 2019 (2018 - two customers, both programmatic networks, each represented 12% of revenue, respectively). As at August 31, 2019, one customer, a media agency, represented 19% of the accounts receivable balance (2018 - two customers - 18% and 12%, one agency and one programmatic network, respectively).

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8. Financial risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at August 31, 2019, the Company had cash and cash equivalents of $4,035 (2018 - $6,347), restricted cash related to customer deposits on the betting platform of $679 (2018 - nil), accounts receivable of $7,956 (2018 - $5,839), current tax credits recoverable of nil (2018 - nil), and accounts payable and accrued liabilities to third parties of $7,147 (2018 - $3,710). Accounts payable and accrued liabilities have contracted maturities of less than 12 months.

Management prepares budgets and cash flow forecasts to assist in managing liquidity risk. The Company has a history of operating losses, and can be expected to generate continued operating losses and negative cash flows in the future while it carries out its current business plan to further develop and expand its digital media and gaming business.

During the year ended August 31, 2019, the Company entered into a $5,000 demand credit facility with a Canadian chartered bank. The credit facility is available for working capital purposes and the amount available is based on a percentage of the Company's accounts receivable and those of certain of its subsidiaries. The facility is secured by substantially all of the assets of the Company and certain of its subsidiaries.

The credit facility bears an interest rate at the lenders Prime rate plus 1.00% per annum. The credit facility is repayable on demand and is subject to certain financial covenants.

While the Company can utilize its cash, cash equivalents and demand credit facility to fund its operating and development expenditures, it does not have access to other committed sources of funding, and depending upon the level of expenditures and whether profitable operations can be achieved, may be required to seek additional funding in the future. Refer to subsequent event note 15 which describes the issuance of a subordinated debenture in September 2019.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Company's income or the value of its

8. Financial risk management (continued):

holdings of financial instruments. As at August 31, 2019, the Company does not have any financial instruments exposing it to market or interest rate risk.

The Company does not engage in risk management practices, such as hedging or use of derivative instruments.

The Company's head office is located in Canada. Some of the Company's customers and suppliers are based in Canada and, therefore, transact in Canadian dollars. Certain customers and suppliers are based outside of Canada and the associated financial assets and liabilities originate in U.S. dollars, Euros or Pounds Sterling, thereby exposing the Company to foreign exchange risk. The Company's exposure to foreign exchange risk is deemed to be low. Total U.S. dollar-denominated receivables as at August 31, 2019 and 2018 were $3,219 and $2,363, respectively. The Company's foreign exchange gain (loss) is included in finance income, net in the consolidated statements of comprehensive loss, and for the year ended August 31, 2019 was $163 (2018 - $250).

(d) Fair values:

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies, as disclosed below. However, considerable judgment is required to develop certain of these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of each class of financial instruments are discussed below.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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8. Financial risk management (continued):

Quoted market prices for an identical asset or liability represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the use of significant unobservable inputs are considered Level 3.

There were no material financial instruments categorized in Level 1 or Level 3 as at August 31, 2019 and 2018 and there were no transfers of fair value measurement between Levels 2 and 3 of the fair value hierarchy in the respective years.

(e) Cash and cash equivalents:

	2019	2018
Cash and cash equivalents:		
Cash	$ 4,035	$ 4,815
Government treasury bills and guaranteed investment certificates	–	1,532
	$ 4,035	$ 6,347

(f) Restricted cash:

	2019	2018
Current restricted cash related to customer deposits	$ 11	$ –
Non- Current restricted cash related to customer deposits	$ 668	$ –

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9. Commitments:

The Company has no debt guarantees, off-balance sheet arrangements or long-term obligations other than the content and other and office lease agreements noted below.

The Company has the following firm commitments under agreements:

	Not later than one year	Later than one year and not later than five years	Later than five years	Total
Leases	$ 972	$ 2,027	$ –	$ 2,999
Other contractual agreements	6,975	15,446	1,300	23,721
Total	$ 7,947	$ 17,473	$ 1,300	$ 26,720

Office lease:

The Company's current lease agreement is for a 30,881 square foot space at its head office in Toronto, Ontario, and runs until September 30, 2022.

The company has entered into several new agreements relating to its sports betting business which has increased future contractual commitments.

10. Stock-based compensation:

(a) Stock option plan:

The Company has a stock option plan (the "Plan") under which the Board of Directors, or a committee appointed for such purpose, may, from time to time, grant to directors, officers and full-time employees of, or consultants to, the Company options to acquire Class A subordinate voting shares. Under the Plan, the exercise price of an option is based on the closing trading price on the day prior to the grant. An option's maximum term is 10 years and options generally vest in six-month tranches over a period of three to five years. Certain of the Company's employees and consultants participate in the Plan in exchange for services provided to the Company.

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10. Stock-based compensation (continued):

The following table summarizes the status of options granted to employees of the Company under the Plan:

	Number	Exercise price	Weighted average exercise price
Outstanding options, August 31, 2017	21,569,586	$ 0.13 - 0.31	$ 0.24
Granted	10,100,000	0.145 - 0.385	0.15
Cancelled	(4,423,336)	0.13 - 0.31	0.24
Exercised	(1,330,000)	0.13 - 0.31	0.23
Outstanding options, August 31, 2018	25,916,250	0.13 - 0.385	0.21
Granted	5,930,000	0.30 - 0.345	0.30
Cancelled	(2,949,582)	0.145 - 0.31	0.17
Exercised	(595,419)	0.145 - 0.31	0.19
Outstanding options, August 31, 2019	28,301,249	$ 0.13 - 0.385	0.23
Options exercisable, August 31, 2019	18,725,108	$ 0.13 - 0.385	$ 0.23

The following table summarizes the range of exercise prices and the weighted average prices of outstanding and exercisable options as at August 31, 2019.

Exercise price	Options outstanding	Options exercisable	Weighted average exercise price
$ 0.13	2,615,000	2,615,000	$ 0.13
0.145	6,661,250	2,433,032	0.145
0.18	2,686,665	2,686,665	0.18
0.21	2,806,667	2,330,409	0.21
0.29	3,123,333	3,123,333	0.29
0.30	5,380,000	908,335	0.30
0.31	4,428,334	4,428,334	0.31
0.345	400,000	–	0.345
0.385	200,000	200,000	0.385
	28,301,249	18,725,108	0.23

10. Stock-based compensation (continued):

As at August 31, 2019, the weighted average remaining contractual life of the options exercisable and outstanding is estimated to be 2.30 and 1.94 years, respectively. The estimated fair value of options granted during the years ended August 31, 2019 and 2018 was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2019	2018
Fair value of options	$0.10 - $0.25	$0.06 - $0.23
Exercise price	$0.30 - $0.345	$0.145 - $0.385
Risk-free interest rate	1% - 2%	3% - 4%
Dividend yield	–	–
Volatility factor of the future expected market price of shares	81%	68%
Weighted average expected life of the options	3 - 10 years	3 - 10 years

During the year ended August 31, 2019, stock-based compensation recorded in connection with stock options issued by the Company was $561 (2018 - $546).

(b) Share purchase plan:

The Company has a share purchase plan (the "SPP") in order to facilitate the acquisition and the retention of Class A subordinate voting shares by eligible participants. The SPP allows eligible participants to voluntarily join in a share purchase program. Under the terms of the SPP, eligible participants can have up to 5% of their compensation deducted from their pay to contribute towards the purchase of Class A subordinate voting shares of the Company. The Company makes a contribution equal to the amount of the compensation contributed by each participant. The Class A subordinate voting shares are purchased by an independent broker through the facilities of the TSX-V and are held by a custodian on behalf of the SPP participants. During the year ended August 31, 2019, the Company recorded an expense of $549, as part of personnel expenses, relating to its participating employees in the SPP (2018 - $451).

SCORE MEDIA AND GAMING INC.
(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

11. Revenue:

Revenue from Canadian sources for the year ended August 31, 2019 was $13,075 (2018 - $10,233), while revenue from non-Canadian sources (predominantly USA) for the same year was $18,046 (2018 - $17,510). Included within revenue in 2019 is an immaterial amount of revenue generated from the Company's sports betting business which launched in late August 2019.

12. Basic and diluted loss per share:

The following table sets forth the computation of basic and diluted loss per share:

	2019	2018
Net loss available to shareholders - basic and diluted	$ (9,413)	$ (5,914)
Weighted average shares outstanding - basic and diluted	328,990,434	295,981,859
Loss per share - basic and diluted	$ (0.03)	$ (0.02)

During the year ended August 31, 2019, there were no outstanding stock options or warrants included in the computation of diluted loss per share as the impact would have been anti-dilutive.

13. Capital:

The Company is authorized to issue the following capital stock:

5,566 special voting shares
Unlimited Class A subordinate voting shares
Unlimited preference shares

SCORE MEDIA AND GAMING INC.
(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

13. Capital (continued):

The special voting shares, each convertible into one Class A subordinate voting share, entitle the holders to vote separately as a class and to one vote for each share held. In addition, these shares shall have the right to elect that number of members of the Board of Directors of the Company that would constitute a majority of the authorized number of directors of the Company plus two, subject to the right of the holders of Class A subordinate voting shares to elect at least two members of the Board of Directors.

The holders of Class A subordinate voting shares are entitled to one vote for each share held at all meetings of the shareholders, other than meetings at which only the holders of another class or series of shares are entitled to vote separately.

The preference shares are non-voting, except in certain circumstances and shall, with respect to the payment of dividends and the dissolution of assets in the event of liquidation or any other distribution of assets, rank on a parity with the preference shares of other series and be entitled to preference in liquidation over the special voting shares and the Class A subordinate voting shares. As at August 31, 2019 and 2018, no preference shares have been issued.

Private placement offering:

On November 6, 2018, the Company closed a non-brokered private placement offering of 36,956,522 Class A subordinate voting shares at a price per share of $0.23 for net proceeds of $8,500. Entities controlled and directed by the Company's Chairman and Chief Executive Officer and a director of the Company participated in the private placement, purchasing 13,043,481 and 13,043,478 shares, respectively.

On August 9, 2019, the Company closed a non-brokered private placement offering of 22,222,223 Class A subordinate voting shares at a price of $0.59 per share for net proceeds of $13,185. An entity controlled and directed by the Company's Chairman and Chief Executive Officer participated in the private placement, purchasing 2,222,222 shares.

SCORE MEDIA AND GAMING INC.

(formerly theScore, Inc.)

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

14. Income taxes:

Recognized deferred tax assets and liabilities are attributable to the following:

Deferred income tax asset (liability)	Non-capital losses	Tax credits	Financing Fees	Net
2019	$ 446	$ (428)	$ (18)	$ –
2018	428	(428)	–	–

Unrecognized deferred tax assets:

Deferred tax assets have not been recognized for the following items as management estimated that it would not be probable that future years' taxable income will be available against which the Company could utilize the benefits therefrom:

	2019	2018
Non-capital income tax loss carryforwards	$ 19,838	$ 18,251
Capital losses carryforwards	127	127
Equipment and other deductible differences	4,591	4,012
Total	$ 24,556	$ 22,390

As at August 31, 2019, the Company has the following unrecognized non-capital losses available to reduce future years' taxable income for income tax purposes:

Income tax losses expiring in the year ending August 31:	
2034 and earlier	$ 38,532
2035	10,682
2036	12,381
2037	4,369
2038	2,540
2039	6,652
	$ 75,156

SCORE MEDIA AND GAMING INC.
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Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2019 and 2018

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14. Income taxes (continued):

The property and equipment and other deductible temporary differences of $17,324 (2018 - $16,097) do not expire under current legislation.

During the years ended August 31, 2019 and 2018, the Company recorded current and deferred income tax expense of nil. A reconciliation of the income tax expense based on the statutory income tax rate to that recorded is as follows:

	2019	2018
Income tax recovery based on the combined statutory income tax rate of 26.5% (2018 - 26.5%)	$ (2,494)	$ (1,567)
Tax effect of non-deductible and non-taxable items	307	274
Current year tax losses and deductible temporary differences for which no deferred tax is recognized	2,303	1,291
Utilization of losses previously not recognized	(138)	–
Tax rate difference on foreign profit or loss	22	2
Income tax expense	$ –	$ –

15. Subsequent event:

On September 5, 2019, the Company closed a private placement with a fund managed and controlled by Fengate Asset Management ("Fengate"). The proceeds of the private placement will be used to fund the growth and development of the Company's media and sports betting businesses. Fengate purchased a $40,000,000, 8.00% convertible, unsecured subordinated debenture of the Company, due August 31, 2024.

Score Media and Gaming Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Year ended August 31, 2019 and 2018

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Score Media and Gaming Inc. (formerly known as theScore Inc.)("theScore" or the "Company") and our financial performance for the year ended August 31, 2019. The MD&A should be read in conjunction with theScore's consolidated Financial Statements for the years ended August 31, 2019 and 2018 and notes thereto. The financial information presented herein has been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in Canadian dollars unless otherwise stated. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts. Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear. This MD&A reflects information as of October 23, 2019.

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of theScore, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. Forward looking information typically contains statements with words such as ''anticipate'', ''believe'', ''expect'', ''plan'', ''estimate'', "intend'', ''will'', ''may'', ''should", "would", "could" or similar words suggesting future outcomes. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A. These statements reflect theScore's current views regarding future events and operating performance, are based on information currently available to theScore, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of theScore to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements.

The principal factors, assumptions and risks that theScore made or took into account in the preparation of these forward-looking statements include: regulation of gaming industry, continued support of banks and payment processors, losses with respect to individual events or betting outcomes, competition in the online and mobile sports betting and media industry, regulatory investigations, market access limitations, shareholders subject to extensive governmental regulation, social responsibility concerns, reliance of digital sports media industry on mobile advertising, the history of operating losses and negative cash flows, liquidity risks, dependence on key suppliers, mobile device users may choose not to allow advertising, limited long-term agreements with advertisers that could affect future revenue streams, substantial capital requirements to carry out business objectives, the

ability to protect intellectual property rights, the risk of infringement of intellectual property rights owned by others, maintenance and enhancement of "theScore" brand, dependence on key personnel and employees, the ability to adapt to rapid technology development, defects in products, real or perceived inaccuracies in key performance metrics, restrictions on the collection, storage, retention, transmission and use of user data, reliance on collaborative partners to provide services and to develop and commercialize products or services, the ability to expand products into new business areas or new geographic markets, risks associated with the fantasy sports business, growth-related risks, capacity constraints and pressure on our internal systems and controls, information technology defects, reliance on third-party owned communication networks, uncertain economic health of the wider economy, government regulation of the internet in Canada, the United States and other jurisdictions, currency fluctuations, changes in taxation, exposure to taxable presences, risk of litigation, internal controls, credit risk, the use of free and open source software, the control exerted by Mr. John Levy over voting shares of theScore, variability in the market price and trading of theScore's Class A subordinate voting shares, debt obligations will have a priority over Class A subordinate voting shares in the event of a liquidation, dissolution or wind-up, dividend policy, the impact of a sale or potential sale of a large number of Class A subordinate voting shares by existing shareholders and potential risk of shareholder dilution, which are all discussed in theScore's Annual Information Form dated October 23, 2019, which is filed on SEDAR and available at www.sedar.com.

Additional factors are discussed under the heading "Risk Factors" in theScore's Annual Information Form as filed with securities regulatory authorities in Canada and available on SEDAR at www.sedar.com and elsewhere in documents that theScore files from time to time with securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results could differ materially from the expectations expressed in these forward-looking statements. theScore does not intend, and does not assume any obligation, to update these forward-looking statements except as required by applicable law or regulatory requirements.

The Company

Score Media and Gaming Inc. empowers millions of sports fans through our digital media and sports betting products. Our sports scores and news app 'theScore' is one of the most popular in North America, delivering fans highly personalized live scores, news, stats, and betting information from their favorite teams, leagues, and players. Our mobile sports betting app 'theScore Bet' delivers an immersive and holistic mobile sports betting experience. Natively built for iOS and Android devices, theScore Bet is deeply integrated with theScore's media app and is currently available to place wagers in New Jersey. Publicly traded on the TSX Venture Exchange (SCR.TO), we also create and distribute innovative digital content through our web, social and esports platforms. The Company is organized and operates as one operating segment for the purpose of making operating decisions and assessing performance. At August 31, 2019 Score had 5,566 special voting shares, 356,829,448 Class A shares and 28,301,249 options outstanding.

Selected Annual Financial Data

The following is selected financial data of theScore for each of the years in the three year period ended August 31, 2019. theScore utilizes the non-IFRS measure of earnings before interest, taxes, depreciation and amortization ("EBITDA") to measure operating performance (see "EBITDA loss" below).

	Year ended August 31,		
	2019	2018	2017
Statements of comprehensive loss data			
Revenue	$31,121	$27,743	$26,348
EBITDA loss	(6,494)	(2,382)	(5,915)
Net loss	(9,413)	(5,914)	(9,236)
Loss per share - basic and diluted	$(0.03)	$(0.02)	$(0.03)
Statements of financial position data			
Total assets	$38,680	$22,407	$26,267
Dividends paid	nil	nil	nil

Revenue

Revenues for the three months ended August 31, 2019 and 2018 were $6.4 million and $5.1 million, respectively. Revenues for the year ended August 31, 2019 and 2018 were $31.1 million and $27.7 million, respectively. Higher sales in the year were a result of increased direct sales for both Canada and the U.S. theScore recognizes advertising revenue based on the sale and delivery of advertising impressions on its digital media platforms.

For the three months ended August 31, 2019 and 2018 revenue from Canadian sources were $2.7 million and $2.0 million, respectively, while revenue from non-Canadian sources (predominately the U.S.) for the same period was $3.7 million and $3.1 million, respectively. For the year ended August 31, 2019 and 2018 revenue from Canadian sources was $13.1 million and $10.2 million, respectively, while revenue from non-Canadian sources (predominately the U.S.) for the same period was $18.0 million and $17.5 million, respectively.

Total average monthly user sessions of theScore mobile app on iOS and Android was 272 million in Q4 F2019, or 75 sessions-per-user per-month on a base of 3.6 million average monthly app users*.

Operating Expenses
(in thousands of Canadian dollars)

	Three months ended		Year ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Personnel	$ 4,647	$ 3,563	$ 18,818	$ 16,212
Content	643	478	2,109	1,771
Technology	767	668	3,014	2,906
Facilities, administrative, and other	3,701	2,042	10,641	6,200
Marketing	698	563	2,472	2,490
Depreciation of equipment	105	107	396	418
Amortization of intangible assets	620	748	2,721	3,391
Stock based compensation	100	134	561	546
	$ 11,281	$ 8,303	$ 40,732	$ 33,934

Operating expenses for the three month period ended August 31, 2019 were $11.3 million compared to $8.3 million in the same period of the prior year, an increase of $3.0 million. Operating expenses for the year ended August 31, 2019 were $40.7 million compared to $33.9 million in the same period of the prior year, an increase of $6.8 million.

Personnel expenses for the three month period ended August 31, 2019 were $4.6 million compared to $3.6 million in the same period of the prior year, an increase of $1.0 million. Personnel expenses for the year ended August 31, 2019 were $18.8 million compared to $16.2 million in the same period of the prior year, an increase of $2.6 million. The increase for the three months and year ended August 31, 2019 was due to growth in the number of full time employees to support the Company's entry into the sports betting business. Full time personnel as at August 31, 2019 were 210 compared to 192 as at August 31, 2018.

Content expenses for the three month period ended August 31, 2019 were $0.6 million compared to $0.5 million in the same period of the prior year, an increase of $0.1 million. Content expenses for the year ended August 31, 2019 were $2.1 million compared to $1.8 million in the same period of the prior year, an increase of $0.3 million. This increase is primarily the result of higher fees related to content support costs.

* User metrics refer to audience and engagement numbers for theScore app on iOS and Android.

Technology expenses for the three month period ended August 31, 2019 were $0.8 million compared to $0.7 million in the same period of the prior year an increase of $0.1 million. Technology expenses for the year ended August 31, 2019 were $3.0 million compared to $2.9 million in the same period of the prior year an increase of $0.1 million.

Facilities, administrative and other expenses for the three month period ended August 31, 2019 were $3.7 million compared to $2.0 million in the same period of the prior year, an increase of $1.7 million. Facilities, administrative and other expenses for the year ended August 31, 2019 were $10.6 million compared to $6.2 million in the same period of the prior year, an increase of $4.4 million. Increases were principally a result of higher professional fees and gaming-related business development expenses compared to the prior year.

Marketing expenses for the three month period ended August 31, 2019 were $0.7 million compared to $0.6 million in the same period of the prior year, an increase of $0.1 million. Marketing expenses for the year ended August 31, 2019 were $2.5 million consistent with the same period in the prior year.

Depreciation of property and equipment for the three month period ended August 31, 2019 was $0.1 million consistent with the same period of the prior year. Depreciation of property and equipment for the year ended August 31, 2019 was $0.4 million consistent with the same period of the prior year.

Amortization expense for the three month period ended August 31, 2019 was $0.6 million compared to $0.7 million in the same period of the prior year, a decrease of $0.1 million. Amortization expense for the year ended August 31, 2019 was $2.7 million compared to $3.4 million in the same period of the prior year, a decrease of $0.7 million. Decreases were mainly due to accelerated amortization of certain eSports intangibles in the prior year.

Stock based compensation expense for the three month period ended August 31, 2019 was $0.1 million consistent with the same period of the prior year. Stock based compensation expense for the year ended August 31, 2019 was $0.6 million compared to $0.5 million in the same period of the prior year, an increase of $0.1 million.

Impact of Ontario Interactive Digital Media Tax Credits (“OIDMTC”)

As at August 31, 2019, tax credits recoverable of $1.6 million are included in tax credits recoverable non-current, in the consolidated statements of financial position (August 31, 2018 - $1.6 million non-current). Tax credits recoverable reflect management's best estimate of credits that are reasonably assured of realization considering both certificates of eligibility received from the Ontario Media Development Corporation (“OMDC”) for specific claims and the OMDC's historical acceptance of expenditures of a similar nature for refundable credit.

No tax credits were accrued during the years ended August 31, 2019 and 2018.

EBITDA and Net and Comprehensive losses

theScore utilizes earnings before interest, taxes, depreciation and amortization ("EBITDA") to measure operating performance. theScore's definition of EBITDA excludes depreciation and amortization, finance (income) expense and income taxes which in theScore's view do not adequately reflect its core operating results. EBITDA is used in the determination of short-term incentive compensation for all senior management personnel.

EBITDA is not a measure of performance under IFRS and should not be considered in isolation or as a substitute for net and comprehensive income or loss prepared in accordance with IFRS or as a measure of operating performance or profitability. EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies.

The following table reconciles net loss to EBITDA:
(in thousands of Canadian dollars)

	Three Months Ended		Year ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Net loss for the period	$ (4,845)	$ (3,137)	$ (9,413)	$ (5,914)
Adjustments:				
Depreciation and amortization	725	857	3,117	3,809
Finance (income) expense, net	(29)	(71)	(198)	(277)
EBITDA	$ (4,149)	$ (2,351)	$ (6,494)	$ (2,382)

EBITDA loss for the three month period ended August 31, 2019 was $4.1 million compared to $2.4 million in the same period in the prior year, an increase of $1.7 million. EBITDA loss for the year ended August 31, 2019 was $6.5 million compared to EBITDA loss of $2.4 million in the same period in the prior year, an increase of $4.1 million.

Net loss for the three month period ended August 31, 2019 was $4.8 million compared to a loss of $3.1 million in the same period in the prior year, an increase of $1.7 million. Net loss for the year ended August 31, 2019 was $9.4 million compared to a loss of $5.9 million in the same period in the prior year, an increase of $3.5 million.

Loss per share for the year ended August 31, 2019 was $0.03 compared to loss per share of $0.02 in the same period in the prior year

Additions to Intangible Assets

During the year ended August 31, 2019, the Company capitalized internal product development costs of $3.8 million (August 31, 2018 - $3.1 million). The significant development projects for the year ended August 31, 2019 consisted of private chat, Follow Together, as well as new features including a betting data section and a website widget. The Company has continued developing significant new enhancements to its core

technology infrastructure as well as development of its sports betting app and related systems and services.

The Company capitalized internal product development costs during the years ended August 31, 2019 and 2018 for both new development projects and projects that, in management's judgement, represent substantial improvements to existing products. In assessing whether costs can be capitalized for improvements, management exercises significant judgement when considering the extent of the improvement and whether it is substantial, whether it is sufficiently separable and whether expected future economic benefits are derived from the improvement itself. Factors considered in assessing the extent of the improvement include, but are not limited to, the degree of change in functionality and the impact of the project on the ability of the Company to attract users to its products and increase user engagement with its products. Costs, which do not meet these criteria, such as enhancements and routine maintenance, are expensed when incurred. Future economic benefits from these capitalized projects include net cash flows from future sports betting revenue and future advertising sales, which are dependent upon the ability of the Company to attract users to its products and increase user engagement with its products, and may also include anticipated cost savings, depending upon the nature of the development project.

Consolidated Quarterly Results

The following selected consolidated quarterly financial data of the Company relates to the preceding eight quarters, inclusive of the quarter ended August 31, 2019.

Quarterly Results	**Revenue**	**EBITDA**	**Net income (loss)**	**Income (loss) per share – basic and diluted**
	($000's)	**($000's)**	**($000's)**	**($)**
August 31, 2019	6,407	(4,149)	(4,845)	(0.01)
May 31, 2019	8,463	(1,120)	(1,727)	(0.01)
February 28, 2019	6,776	(2,189)	(3,004)	(0.01)
November 30, 2018	9,475	964	163	0.00
August 31, 2018	5,099	(2,351)	(3,137)	(0.01)
May 31, 2018	7,194	(44)	(894)	(0.00)
February 28, 2018	7,099	(518)	(1,623)	(0.01)
November 30, 2017	8,351	531	(260)	(0.00)

Use of the Company's applications has historically reflected the general trends for sports schedules of the major North American sports leagues. As a result, the Company's first fiscal quarter ended November 30 is typically the strongest from a revenue perspective.

Quarterly revenue fluctuations are a combination of the seasonality trend of usage described above and the market for digital media advertising in Canada and the United States.

EBITDA income (loss) and net income (loss) fluctuations are due to changes in discretionary marketing spend, personnel, costs related to the sports betting business and infrastructure costs, and seasonal revenue fluctuations.

Liquidity Risk and Capital Resources

Cash and cash equivalents as of August 31, 2019 were $4.0 million compared to $6.3 million as of fiscal year ended August 31, 2018. The company also holds restricted cash related to customer deposits on the betting platform of $0.7 million.

Liquidity

Liquidity risk is the risk that theScore will not be able to meet its financial obligations as they fall due. As at August 31, 2019, theScore had cash and cash equivalents of $4.0 million (August 31, 2018 - $6.3 million), restricted cash related to customer deposits on the betting platform of $0.7 million (August 31, 2018 - nil), accounts receivable of $7.9 million (August 31, 2018 - $5.8 million), non-current tax credits recoverable of $1.6 million (August 31, 2018 - $1.6 million) and accounts payable and accrued liabilities to third parties of $7.1 million (August 31, 2018 - $3.7 million). Accounts payable and accrued liabilities have contracted maturities of less than twelve months.

Management prepares budgets and cash flow forecasts to assist in managing liquidity risk. theScore has a history of operating losses, and can be expected to generate continued operating losses and negative cash flows in the future while it carries out its current business plan to further develop and expand its business. theScore can utilize its cash and cash equivalents to fund its operating and development expenditures.

The Company has available a $5 million demand credit facility with a Canadian chartered bank. The credit facility is available for working capital purposes and the amount available is based on a percentage of the Company's accounts receivable and those of certain of its subsidiaries. The facility is secured by substantially all of the assets of the Company and certain of its subsidiaries.

The credit facility bears an interest rate at the lenders Prime rate plus 1.00% per annum. The credit facility is repayable on demand and is subject to certain financial covenants as of August 31, 2019 the amount drawn on the facility is nil.

While theScore can utilize its cash, cash equivalents and demand credit facility to fund its operating and development expenditures, it does not have access to other committed sources of funding, and depending upon the level of expenditures and whether profitable operations can be achieved, may be required to seek additional funding in the future.

Operations

Cash flows used in operating activities for the year ended August 31, 2019 were $5.4 million compared to $0.8 million in the same period of the prior year. The increase in cash flows used in operations was primarily a result of increases in operating expenses.

Financing

Cash flows provided by financing activities for the year ended August 31, 2019 was $21.8 million compared to $0.3 million in the same period in the prior year. On November 6, 2018 theScore closed a non-brokered private placement offering of 36,956,522 million Class A subordinate voting shares at a price per share of $0.23 for net proceeds of $8.5 million. On August 9, 2019 theScore closed a private placement offering of 22,222,223 Class A shares at a price per share of $0.59 for net proceeds of $13.2 million.

Investing

Cash used in investing activities for the year ended August 31, 2019 was $18.7 million compared to $3.2 million in the same period in the prior year. The increase in cash used in investing activities was due to higher capitalized internal salaries and payments in respect of gaming rights, market access licenses and licenses under development, and certain capitalized expenses in connection with the Company's sports betting business.

Commitments

The Company has no debt guarantees, off-balance sheet arrangements or long-term obligations other than the content and office lease agreements noted below.

theScore has the following firm commitments under agreements:

(in thousands of Canadian dollars)

	Not later than one year	Later than one year and not later than five years	Later than five years	Total
Leases	$ 972	$ 2,027	$ -	$ 2,999
Other contractual agreements	6,975	15,446	1,300	23,721
Total	$ 7,947	$ 17,473	$ 1,300	$ 26,720

The Company has entered into several new agreements relating to its sports betting business which has increased future contractual commitments.

Office lease:

theScore's current lease agreement is for a 30,881 square foot space at its head office in Toronto, Ontario, and runs until September 30, 2022.

Related Party Transactions

Entities controlled and directed by theScore's Chairman and Chief Executive Officer and a director of theScore participated in the private placement that closed on November 6, 2018 purchasing 13,043,481 and 13,043,478 shares respectively. An entity controlled and directed by theScore's Chairman and Chief Executive Officer participated in the private placement that closed on August 9, 2019 purchasing 2,222,222 shares.

In Fiscal 2013, theScore entered into a lease for a property partially owned by John Levy, the Chairman and Chief Executive Officer of the Company. The aggregate rent paid during the year ended August 31, 2019 amounted to $40,000. (2018 - $40,000). The corresponding payable balances as at August 31, 2019 and August 31, 2018 were nil. These transactions are recorded at the exchange amount, being the amount agreed upon between the parties.

Financial Instruments and other instruments:

theScore does not have any financial instruments, other than its cash and cash-equivalents, accounts receivable and accounts payable. The Company's financial instruments were comprised of the following as at August 31, 2019; cash and cash equivalents of $4.0 million; restricted cash related to customer deposits on the betting platform of $0.7 million; accounts receivable of $7.9 million; and accounts payable and accrued liabilities $7.3 million. The Company invested its cash equivalents in government treasury bills and guaranteed investment certificates. Accounts receivable are carried at amortized cost. Accounts payable and accrued liabilities are carried at amortized cost, and are primarily comprised of short-term obligations owing to suppliers related to the Company's operations.

Fair Value

Fair value is the estimated amount that the Company would pay or receive to dispose of financial instruments in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities were deemed to approximate their carrying amounts due to the relative short-term nature of these financial instruments.

Customer concentration

As at August 31, 2019, the Company had an accounts receivable balance from a media agency exceeding 10% of total accounts receivable (August 31, 2018 – two customers). Concentration of this customer represented 19% of total accounts receivable balance (August 31, 2018 – 30%).

For the year ended August 31, 2019, sales to one customer, a programmatic network exceeded 10% of total revenue (year ended August 31, 2018 – two programmatic networks). For the year ended August 31, 2019, concentration of this customer comprised 10% of total revenue (year ended August 31, 2018 – 12% and 12% respectively).

Recent standards and amendments effective September 1, 2018:

(a) IFRS 9, Financial Instruments ("IFRS 9"):
In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes International Accounting Standard ("IAS") 39, Financial Instruments: recognition and measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company adopted IFRS 9 on September 1, 2018, which replaces IAS 39.

(i) Classification of financial assets and liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard replaces the previous classification categories of held to maturity, loans and receivables, and available for sale under IAS 39. The two principal classification categories for financial liabilities under IFRS 9 are amortized cost, and FVTPL.

The adoption of the IFRS 9 has not had a significant impact on the Company's accounting policies for financial assets and financial liabilities.

(ii) Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets carried at amortized cost and contract assets. The adoption of the new ECL impairment model has not had a significant

impact on the Company's measurement of impairment losses or on its financial assets carried at amortized cost and contract assets.

(iii) Transition

As a result of the adoption of IFRS 9, there was no impact on deficit as at the date of adoption of September 1, 2018. In making this determination, we note that changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

(iv) Classification of financial assets and liabilities on the date of initial application of IFRS 9.

The following table shows the original measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at September 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9
Financial assets:		
Cash and cash equivalents	Designated as FVTPL	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial liabilities:		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The application of IFRS 9 resulted in the classifications as set out in the table above.

Accounts receivable that were classified as loans and receivables under IAS 39 are now classified and measured at amortized cost. There was no change in the carrying amount of accounts receivable on the date of adoption of IFRS 9 as a result of the change in classification.

(b) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15 supersedes previous accounting standards for revenue, including IAS 18, Revenue, and International Financial Reporting Interpretations Committee 13, Customer Loyalty Programme. IFRS 15 introduced a single model for recognizing revenue from contracts with customers.

This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRS.

The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. The Company has adopted IFRS 15 in its consolidated financial statements for the annual period beginning on September 1, 2018. The application of this new standard has no significant impact on the Company's reported results with regards to the timing of recognition and classification of revenue, and the treatment of costs incurred in acquiring customer contracts. Further, the application of IFRS 15 does not affect the Company's cash flows from operations or the methods and underlying economics through which it transacts with its customers.

Recent standards and amendments not yet effective:

(a) IFRS 16, Leases ("IFRS 16"):

IFRS 16 will supersede the current IAS 17, Leases ("IAS 17") standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease

liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17.

The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, but only if the entity is also applying IFRS 15. The Company has the option to either apply IFRS 16 with full retrospective effect or recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

The Company will adopt IFRS 16 in its financial statements for the annual period on September 1, 2019 using the modified retrospective approach. Comparative information will not be restated.

The Company is assessing the impact of IFRS 16 on the Company's consolidated financial statements. The Company estimated its adoption of the standard will result in an increase in right-of-use assets and corresponding lease liabilities in its consolidated statement of financial position, primarily related to the leased office premises. In addition, IFRS 16 replaces the straight-line operating lease expense with depreciation charge for right-of-use asset and interest expense on lease liabilities, which will result in a decrease in operating expenses and increase in depreciation expense and increase in financing costs.

Critical accounting estimates and judgements:

The preparation of these consolidated financial statements requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates. Key areas of estimation and judgment are as follows:

(i) Intangible assets
Management's judgment is applied, and estimates are used, in determining whether costs qualify for recognition as internally developed intangible assets.

To be able to recognize an intangible asset, management must demonstrate the item meets the definition of an intangible asset in IAS 38. Management exercises significant judgment in determining whether an item meets the identifiability criteria in the definition of an intangible asset which, in part, requires that the item is capable of being separated or divided from the Company and sold, transferred or licensed either individually or together with a related contract or asset, whether or not the Company intends to do so. Judgment is required to distinguish those expenditures that develop the business as a whole, which cannot be capitalized as intangible assets and are expensed in the years incurred.

Also, to recognize an intangible asset, management, in its judgment, must demonstrate that it is probable that expected future economic benefits will flow to the Company and that the cost of the asset can be measured reliably. Estimates are used to determine the probability of expected future economic benefits that will flow to the Company. Future economic

benefits include net cash flows from the sports betting app as well as net cash flows from future advertising sales, which are dependent upon the ability of the Company to attract users to its products and increase user engagement with its products, and may also include anticipated cost savings, depending upon the nature of the development project.

The Company capitalized internal product development costs during the years ended August 31, 2019 and 2018 for both new development projects and projects that, in management's judgment, represent substantial improvements to existing products. In assessing whether costs can be capitalized for improvements, management exercises significant judgment when considering the extent of the improvement and whether it is substantial, whether it is sufficiently separable and whether expected future economic benefits are derived from the improvement itself. Factors considered in assessing the extent of the improvement include, but are not limited to, the degree of change in functionality and the impact of the project on the ability of the Company to attract users to its products and increase user engagement with its products. Costs which do not meet these criteria, such as enhancements and routine maintenance, are expensed when incurred.

In addition, the Company uses estimation in determining the measurement of internal labour costs capitalized to intangible assets. The capitalization estimates are based upon the nature of the activities the developer performs.

Management's judgment is also used in determining appropriate amortization methods for intangible assets, and estimates are used in determining the expected useful lives of amortizable intangible assets.

(ii) Tax credits

Refundable tax credits related to expenditures to develop digital media products are recognized when there is reasonable assurance that they will be received and the Company has and will comply with the conditions associated with the relevant government program. Management's judgment is required in determining which expenditures and projects are reasonably assured of compliance with the relevant conditions and criteria and have, accordingly, met the recognition criteria.

(iii) Impairment of non-financial assets

An impairment test is carried out whenever events or changes in circumstances indicate that carrying amounts may not be recoverable and is performed by comparing the carrying amount of an asset or CGU and its recoverable amount. Management's judgment is required in determining whether an impairment indicator exists. The recoverable amount is the higher of fair value, less costs to sell, and its value in use over its remaining useful life.

This valuation process involves the use of methods which use assumptions to estimate future cash flows. The recoverable amount depends significantly on the discount rate used, as well as the expected future cash flows and the terminal growth rate used for extrapolation.

(iv) Allowance for doubtful accounts

The valuation of accounts receivable requires valuation estimates to be made by management. These accounts receivable comprise a large and diverse base of advertisers dispersed across varying industries and locations that purchase advertising on the Company's digital media platforms.

The Company determines an allowance for doubtful accounts based on knowledge of the financial conditions of its customers, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience. A change in any of the factors impacting the estimate of the allowance for doubtful accounts will directly impact the amount of bad debt expense recorded in facilities, administrative and other expenses.

The loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition.

Subsequent Events

On September 5, 2019 the Company closed a private placement with a fund managed and controlled by Fengate Asset Management (Fengate). The proceeds of the private placement will be used to fund the growth and development of the Company’s media and sports betting businesses. Fengate purchased a $40.0 million 8.00% convertible unsecured subordinated debenture of the Company, due August 31, 2024.