# Score Media and Gaming Inc.
# Q2 - 2021
# Condensed Consolidated Interim Financial Statements
# For the Three and Six Months Ended
# February 28, 2021 and February 29, 2020
# (Unaudited)

## Score Media and Gaming Inc.

Condensed Consolidated Interim Statements of Financial Position
(in thousands of Canadian dollars)
(unaudited)

As at February 28, 2021 and August 31, 2020

| | February 28, 2021 | August 31, 2020 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (note 8) | $ 44,721 | $ 40,116 |
| Restricted cash related to customer deposits | 6,366 | 1,859 |
| Accounts receivable | 8,692 | 5,455 |
| Tax credits recoverable (note 6) | 1,616 | 1,616 |
| Prepaid expenses, deposits, and other assets | 2,869 | 2,048 |
| | 64,264 | 51,094 |
| Non-current assets: | | |
| Property and equipment (note 3) | 3,470 | 4,136 |
| Intangible and other assets (note 4) | 26,658 | 23,477 |
| | 30,128 | 27,613 |
| Total assets | $ 94,392 | $ 78,707 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 15,892 | $ 10,353 |
| Current portion of loans and other borrowings (note 8) | 407 | 6,645 |
| Current portion of lease liability | 933 | 908 |
| Current portion of convertible debenture (note 14) | 3,458 | - |
| Other current financial liabilities (note 15) | 111 | 231 |
| | 20,801 | 18,137 |
| Non-current liabilities: | | |
| Loans and other borrowings (note 8) | 534 | 740 |
| Lease liability | 567 | 1,042 |
| Convertible debenture (note 14) | 28,036 | 29,584 |
| | 29,137 | 31,366 |
| Shareholders' equity | 44,454 | 29,204 |
| Commitments (note 9) | | |
| Subsequent event (note 18) | | |
| Total liabilities and shareholders' equity | $ 94,392 | $ 78,707 |

See accompanying notes to condensed consolidated interim financial statements.

## Score Media and Gaming

Condensed Consolidated Interim Statements of Comprehensive Loss
(in thousands of Canadian dollars, except per share amounts)
(unaudited)

| | Three months ended, February 28, 2021 | Three months ended, February 29, 2020 | Six months ended, February 28, 2021 | Six months ended, February 29, 2020 |
|---|---|---|---|---|
| Revenue (note 11): | | | | |
| Media Revenue | $ 7,995 | $ 6,848 | $ 18,574 | $ 16,093 |
| Net Gaming Revenue | (2,402) | (195) | (4,442) | (222) |
| | 5,593 | 6,653 | 14,132 | 15,871 |
| Operating expenses: | | | | |
| Product development and content | 3,171 | 2,674 | 5,970 | 5,256 |
| Sales and marketing | 5,179 | 4,158 | 10,046 | 9,649 |
| Technology and operations | 4,765 | 4,249 | 10,093 | 7,407 |
| General and administration | 5,405 | 4,197 | 10,224 | 7,017 |
| Depreciation and amortization (note 3 and 4) | 1,448 | 1,312 | 2,832 | 2,525 |
| | 19,968 | 16,590 | 39,165 | 31,854 |
| Operating loss | (14,375) | (9,937) | (25,033) | (15,983) |
| Finance expense, net (note 16) | (3,190) | (517) | (5,205) | (1,688) |
| Loss before income tax expense (recovery) | (17,565) | (10,454) | (30,238) | (17,671) |
| Deferred income tax expense (recovery) (note 17) | - | - | - | (3,107) |
| Net loss | $ (17,565) | $ (10,454) | $ (30,238) | $ (14,564) |
| Other comprehensive income | | | | |
| Foreign currency translation differences from foreign operations | 535 | (140) | 854 | (124) |
| Total comprehensive loss for the | $ (17,030) | $ (10,594) | $ (29,384) | $ (14,688) |
| Loss per share - basic and diluted (note 12) | $ (0.45) | $ (0.29) | $ (0.88) | $ (0.44) |

See accompanying notes to condensed consolidated interim financial statements.

**Score Media and Gaming Inc.**
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(in thousands of Canadian dollars, except share amounts)
Six months ended February 28, 2021 and February 29, 2020
(unaudited)

| | Special Voting Shares | | Class A Subordinate Voting Shares | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | Number of Shares | Amount | Number of Shares | Contributed Surplus | Accumulated OCI | Equity component of convertible debenture | Deficit | Total Shareholders' Equity |
| Balance August 31, 2019 (note 13) | $ 15 | 557 | $ 90,784 | 35,682,945 | $ 5,280 | $ 4 | $ - | $ (64,846) | $ 31,237 |
| Transitional adjustments upon adoption of IFRS 16 Leases | - | - | - | - | - | - | - | (225) | (225) |
| Net loss | - | - | - | - | - | - | - | (14,564) | (14,564) |
| Stock based compensation expense (note 10) | - | - | - | - | 634 | - | - | - | 634 |
| Shares issued on exercise of stock options (note 10) | - | - | 152 | 46,216 | (52) | - | - | - | 100 |
| Convertible debenture, net of tax (note 13) | - | - | - | - | - | - | 8,891 | - | 8,891 |
| Foreign currency translation differences from foreign operations | - | - | - | - | - | (124) | - | - | (124) |
| Balance February 29, 2020 | $ 15 | 557 | $ 90,936 | 35,729,161 | $ 5,862 | $ (120) | $ 8,891 | $ (79,635) | $ 25,949 |
| Balance August 31, 2020 | $ 15 | 557 | $ 115,547 | 39,931,961 | $ 7,240 | $ 512 | $ 8,891 | $ (103,001) | $ 29,204 |
| Net loss | - | - | - | - | - | - | - | (30,238) | (30,238) |
| Stock based compensation expense (note 10) | - | - | - | - | 1,397 | - | - | - | 1,397 |
| Shares issued on exercise of stock options (note 10) | - | - | 703 | 129,850 | (300) | - | - | - | 403 |
| Foreign currency translation differences from foreign operations | - | - | - | - | - | 854 | - | - | 854 |
| Shares issued on exercise of over-allotment via August bought offering (note 13) | - | - | 571 | 96,060 | - | - | - | - | 571 |
| Shares issued and over-allotment via December bought offering (note 13) | - | - | 42,263 | 3,285,780 | - | - | - | - | 42,263 |
| Balance February 28, 2021 | $ 15 | 557 | $ 159,084 | 43,443,651 | $ 8,337 | $ 1,366 | $ 8,891 | $ (133,239) | $ 44,454 |

See accompanying notes to condensed consolidated interim financial statements

*The previously presented number of Class A subordinate voting shares, special voting shares, stock options and RSUs are all presented on a post-consolidation basis of 10:1 in these financial statements (note 13)

**Score Media and Gaming Inc.**
Condensed Consolidated Interim Statements of Cash Flows
(in thousands of Canadian dollars)
(unaudited)

| | Six months ended, February 28, 2021 | February 29, 2020 |
|---|---|---|
| Cash flows from (used) in operating activities | | |
| Net loss for the period | $ (30,238) | $ (14,564) |
| Adjustments for: | | |
| Depreciation and amortization | 2,832 | 2,525 |
| Stock based compensation (note 10) | 1,397 | 634 |
| Interest accretion on lease liabilities (note 16) | 48 | 72 |
| Interest accretion on loans and other borrowings (note 16) | 30 | - |
| Interest accretion on convertible debenture (note 14) | 3,621 | 2,036 |
| Unrealized foreign exchange (gain) loss | 1,376 | - |
| Income tax recovery (note 17) | - | (3,107) |
| | (20,934) | (12,404) |
| Change in non-cash operating assets and liabilities: | | |
| Accounts receivable | (3,237) | 670 |
| Restricted cash related to customer deposits | (4,632) | (986) |
| Prepaid expenses, deposits, and other assets | (841) | (1,170) |
| Accounts payable and accrued liabilities | 5,680 | (1,054) |
| Other financial liabilities (note 15) | (116) | 66 |
| | (3,146) | (2,474) |
| Net cash used in operating activities | (24,080) | (14,878) |
| Cash flows from financing activities | | |
| Exercise of stock options | 403 | 100 |
| Payment of lease liabilities | (496) | (426) |
| Payment of loans and other borrowings | (6,475) | - |
| Payment of convertible debenture | (1,711) | - |
| Issuance of convertible debenture, net of transaction costs (note 14) | - | 37,272 |
| Issuance of shares, net of transaction costs (note 13) | 42,834 | - |
| Net cash from financing activities | 34,555 | 36,946 |
| Cash flows used in investing activities | | |
| Additions to property and equipment (note 3) | (189) | (421) |
| Additions to intangible and other assets, net (note 4) | (5,557) | (4,218) |
| Net cash used in investing activities | (5,746) | (4,639) |
| Increase in cash and cash equivalents | 4,729 | 17,429 |
| Net effect of exchange rate fluctuations on cash | (124) | 59 |
| Cash and cash equivalents, beginning of period | 40,116 | 4,035 |
| Cash and cash equivalents, end of period | $ 44,721 | $ 21,523 |

See accompanying notes to condensed consolidated interim financial statements

## 1. Nature of operations:

Business:

Score Media and Gaming Inc. ("theScore" or the "Company") empowers millions of sports fans through its digital media and sports betting products. Its media 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 sports betting app 'theScore Bet' delivers an immersive and holistic mobile sports betting experience and is currently available to place wagers in New Jersey, Colorado, Indiana and Iowa. Publicly traded on the Toronto Stock Exchange (TSX: SCR) and the Nasdaq Global Select Market (NASDAQ: SCR), theScore also creates and distributes innovative digital content through its 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.

## 2. Significant accounting policies:

Basis of presentation and statement of compliance:

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using International Accounting Standard 34, Interim Financial Reporting and using the same accounting policies and methods of computation theScore applied in its consolidated financial statements as at and for the year ended August 31, 2020.

The notes presented in these interim financial statements include only significant changes and transactions occurring since August 31, 2020, and do not include all disclosures required by IFRS for annual financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended August 31, 2020.

These interim financial statements are presented in Canadian dollars, which is theScore's functional currency, and have been prepared primarily using the historical cost basis.

These interim financial statements were approved by the Board of Directors of theScore on April 13, 2021.

## 2. Significant accounting policies (continued):

(a) Measurement Uncertainty

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2020 annual consolidated financial statements and described in these condensed consolidated interim financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

The extent to which the COVID-19 pandemic may impact the Company's business and activities will depend on future developments which remain highly uncertain and cannot be predicted with confidence, such as the spread of the disease, the duration of the outbreak, severity of the coronavirus and actions taken by the Canadian and US authorities, the postponement, suspension, cancellation, rescheduling and resumption of sporting events, the impact of the pandemic on consumer and advertiser spending, and the ability or willingness of suppliers and vendors to provide products and services.

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the regional economies in which the Company operates, could continue to negatively impact stock markets, including the trading price of the Company's Class A shares, could cause continued interest rate volatility and movements and could adversely impact the Company's ability to raise capital.

Any of these developments, and others, could have a material adverse effect on the Company's business, affairs, operations, results of operations, financial condition, liquidity, availability of credit and foreign exchange exposure. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's financial statements could change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of non-current assets and a change in the expected credit losses on accounts receivable. The Company monitors the situation and its impacts or potential impacts on its business on an ongoing basis.

(In thousands of Canadian dollars, except share prices and unless otherwise stated)

## 3. Property and equipment

| | Computer equipment | Office equipment | Leasehold improvements | Right of use lease | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance, August 31, 2020 | $ 3,597 | $ 1,008 | $ 2,324 | $ 2,288 | $ 9,217 |
| Additions | 182 | 4 | 3 | - | 189 |
| Revaluations of foreign currency | (5) | - | - | - | (5) |
| Balance, February 28, 2021 | $ 3,774 | $ 1,012 | $ 2,327 | $ 2,288 | $ 9,401 |
| **Accumulated depreciation** | | | | | |
| Balance, August 31, 2020 | $ 1,894 | $ 733 | $ 1,712 | $ 742 | $ 5,081 |
| Depreciation | 301 | 26 | 153 | 371 | 851 |
| Revaluations of foreign currency | (1) | - | - | - | (1) |
| Balance, February 28, 2021 | $ 2,194 | $ 759 | $ 1,865 | $ 1,113 | $ 5,931 |
| **Carrying amounts** | | | | | |
| Balance, August 31, 2020 | $ 1,703 | $ 275 | $ 612 | $ 1,546 | $ 4,136 |
| Balance, February 28, 2021 | $ 1,580 | $ 253 | $ 462 | $ 1,175 | $ 3,470 |

Right-of-Use 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.

## 4. Intangible and other assets:

| | Product development & software | Trademarks & domain names | Licenses & Other Assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, August 31, 2020 | $ 27,050 | $ 358 | $ 15,255 | $ 42,663 |
| Additions | 2,738 | - | 2,819 | 5,557 |
| Revaluations of foreign currency | - | - | (428) | (428) |
| Balance, February 28, 2021 | $ 29,788 | $ 358 | $ 17,646 | $ 47,792 |
| **Accumulated amortization** | | | | |
| Balance, August 31, 2020 | $ 18,067 | $ 254 | $ 865 | $ 19,186 |
| Depreciation | 1,406 | 18 | 557 | 1,981 |
| Revaluations of foreign currency | - | - | (33) | (33) |
| Balance, February 28, 2021 | $ 19,473 | $ 272 | $ 1,389 | $ 21,134 |
| **Carrying amounts** | | | | |
| Balance, August 31, 2020 | $ 8,983 | $ 104 | $ 14,390 | $ 23,477 |
| Balance, February 28, 2021 | $ 10,315 | $ 86 | $ 16,257 | $ 26,658 |

During the three and six months ended February 28, 2021, the Company capitalized product development costs of approximately $1,586 and $2,738 (2020 - $1,282 and $2,259). The significant development projects for the six month period ended February 28, 2021 consisted of new features in theScore's betting app, significant enhancements to live betting and sports data, and significant new enhancements to its core technology infrastructure.

## 4. Intangible and other assets (continued):

Licenses and Other Assets include payments in respect of sports betting and online gaming related market access licenses and associated costs, as well as deposits on sports betting and online casino related rights and licenses.

## 5. Related party transactions:

In fiscal 2013, theScore 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 three and six months ended February 28, 2021 amounted to $10 and $20 (2020 - $10 and $20). The payable balances as at February 28, 2021 and August 31, 2020 were nil.

## 6. Tax credits:

As at February 28, 2021, tax credits recoverable of $1,616 are classified as current, in the consolidated statements of financial position (August 31, 2020 - $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 Ontario Creates (formerly, the Ontario Media Development Corporation) for specific claims and Ontario Creates' historical acceptance of expenditures of a similar nature for refundable credit. No tax credits were accrued during the three and six month periods ended February 28, 2021 and February 29, 2020.

## 7. Capital risk management:

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

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

(In thousands of Canadian dollars, except share prices and unless otherwise stated)

## 8. Financial risk management:

The Company's loans and borrowings include:

| | February 28, 2021 | August 31, 2020 |
|---|---|---|
| Revolving term credit facility | $ - | $ 6,250 |
| Current computer equipment financing | 407 | 395 |
| | $ 407 | $ 6,645 |
| Non-current computer equipment financing | $ 534 | $ 740 |

The computer equipment financing relates to the financing arrangement for servers and other equipment and has been calculated using discounted cash flows for future payments over the three-year term of the borrowing using the effective interest rate of 5.62%.

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

(a) Credit risk:

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

As at February 28, 2021 and August 31, 2020, theScore had a loss allowance for trade receivables of $73 and $10, respectively.

At February 28, 2021 and August 31, 2020, $530 and $655, 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 invoicing. theScore believes that its allowance for doubtful accounts sufficiently reflects the related credit risk based on the nature of theScore's customers and consideration of past performance.

## 8. Financial risk management (continued):

theScore has customer concentration risk as two customers, a media agency and a programmatic network, represented 10% and 25% of revenue, respectively, for the three months ended February 28, 2021 (February 29, 2020 - one customer, a programmatic network, represented 12% of revenue). During the six months ended February 28, 2021, one customer, a programmatic network, represented 21% of revenue (February 29, 2020 - one customer, a programmatic network, represented 12% of revenue).

As at February 28, 2021 one customer, a media agency, represented 12% of the accounts receivable balance (August 31, 2020 - two customers, a media agency and programmatic network, represented 13% and 13% of accounts receivable balance, respectively).

(b) Liquidity risk:

Liquidity risk is the risk that theScore will not be able to meet its financial obligations as they fall due. As at February 28, 2021 theScore had cash and cash equivalents of $44,721 (August 31, 2020 - $40,116), restricted cash related to customer deposits on the betting platform of $6,366 (August 31, 2020 - $1,859), accounts receivable of $8,692 (August 31, 2020 - $5,455), tax credits recoverable of $1,616 (August 31, 2020 - $1,616) and accounts payable and accrued liabilities to third parties of $15,892 (August 31, 2020 - $10,353). 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 digital media business.

The Company also has access to an uncommitted variable demand credit facility (the “Demand Credit Facility”) of up to $5,000 with a Canadian chartered bank, of which $4,329 was available as at February 28, 2021. The amount available under the Demand Credit Facility is based on a percentage of the Company’s accounts receivable and those of certain of its subsidiaries. The Demand Credit Facility is available for working capital purposes and is secured by substantially all of the assets of the Company and certain of its subsidiaries.

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

## 8. Financial risk management (continued):

In July 2020, the Company entered into a $6,250 revolving term credit facility with the same Canadian chartered bank that maintains the Demand Credit Facility, supported by Export Development Corporation's Business Credit Availability Program ("EDC BCAP"). The revolving term credit facility is available to provide additional liquidity to the Company and to mitigate the impact of COVID-19 on the Company's operations. The revolving term credit facility is secured by substantially all of the assets of the Company and certain of its subsidiaries. The revolving term credit facility bears an interest rate at the lender's prime rate plus 2.00% per annum and is subject to a facility fee in respect of the EDC BCAP program of 1.80%. The revolving term credit facility is repayable by July 15, 2021, is extendable for a further period of 364 days in certain circumstances and is subject to certain financial covenants. On November 27, 2020, the Company repaid the full balance owing on the revolving term credit facility in the amount of $6,250.

While theScore can utilize its cash, cash equivalents and credit facilities 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.

(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 theScore's income or the value of its holdings of financial instruments.

The Company does not engage in hedging or use of derivative instruments.

The Company's head office is located in Toronto, Canada. Certain of theScore's customers and suppliers are based in Canada and, therefore, transact in Canadian dollars. Other 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 theScore to foreign exchange risk. Total U.S. dollar denominated receivables as at February 28, 2021 and August 31, 2020 were $2,987 and $2,553, respectively. The Company’s foreign exchange revaluation is included in finance income in the condensed consolidated interim statement of comprehensive loss, and primarily relates to advances to subsidiaries, and for the three and six months ended February 28, 2021 was a loss of ($913) and ($1,446) (February 29, 2020 - $372 and $288).

(In thousands of Canadian dollars, except share prices and unless otherwise stated)

## 8. Financial risk management (continued):

(d) Fair values:

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs are based on observable market data, either directly or indirectly other than quoted prices; and
- Level 3 - inputs are not based on observable market data.

The fair values of theScore's financial assets and liabilities, including cash and cash equivalents, restricted cash, 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. The fair value of the convertible debenture was deemed to approximate the carrying amount due to the short passage of time between issuance date and the date of these interim financial statements and the risk factors for the Company remaining consistent within this period.

(e) Cash and cash equivalents:

| | February 28, 2021 | August 31, 2020 |
|---|---|---|
| Cash | $ 29,701 | $ 40,116 |
| Cash equivalents: | | |
| Government treasury bills and Guaranteed Investment Certificates | $ 15,020 | $ - |
| Total cash and cash equivalents | $ 44,721 | $ 40,116 |
| Restricted cash related to customer deposits | $ 6,366 | $ 1,859 |
| Non-current restricted cash related to customer deposits | $ - | $ - |

## 9. Commitments:

The Company has no off-balance sheet arrangements or long-term obligations other than the agreements noted below.

theScore has the following undiscounted contractual obligations (in thousands of Canadian dollars) at February 28, 2021:

| Contractual Obligation | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Within 1 | 2-3 years | 4-5 years | More than 5 |
| Total Debt [1] | $ 43,221 | $ - | $ - | $ 43,221 | $ - |
| Lease Liabilities [2] | 1,540 | 973 | 567 | - | - |
| Purchase Obligations [3] | 48,767 | 10,558 | 10,935 | 6,210 | 21,064 |
| Total Contractual Obligations | $ 93,528 | $ 11,531 | $ 11,502 | $ 49,431 | $ 21,064 |

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

## 10. Stock based compensation:

theScore has a stock option and restricted stock unit plan (the "Plan") approved on February 10, 2021, 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, theScore options to acquire Class A Subordinate Voting shares and restricted stock units (“RSUs”). 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. RSUs entitle a holder, subject to the holder’s satisfaction of any conditions, restrictions, performance objectives, vesting period or limitations imposed under the Plan or set out in a grant letter, and subject to the Company’s clawback policy, to receive a payment in Class A Subordinate Voting shares issued from treasury on the date when the RSU is vested. The maximum term of an RSU is 10 years. Certain of theScore’s employees and consultants participate in the Plan in exchange for services provided to theScore.

[1] Principal repayments related to convertible debenture.
[2] Lease liabilities relate to right-of-use assets which include head office space.
[3] Purchase obligations are minimum payments under contracts for periods ranging from one to twenty years.

(In thousands of Canadian dollars, except share prices and unless otherwise stated)

**10. Stock based compensation (continued):**

(a) Stock Option Plan:

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

| | Number | Exercise price | Weighted average exercise price |
|---|---|---|---|
| Outstanding options, August 31, 2020 | 3,573,858 | $ 1.30 - 8.50 | $ 3.85 |
| Granted | 132,125 | 21.10 | 21.10 |
| Cancelled | (121,855) | 1.45 - 21.10 | 4.60 |
| Exercised | (129,850) | 1.30 - 8.50 | 3.10 |
| Outstanding options, February 28, 2021 | 3,454,278 | $ 1.30 - 21.20 | $ 4.51 |
| Options exercisable, February 28, 2021 | 2,276,646 | $ 1.30 - 21.10 | $ 2.86 |

The following table summarizes the range of exercise prices and the weighted average prices of outstanding and exercisable options as at February 28, 2021.

| Exercise price | Options outstanding | Options exercisable | Weighted average exercise price for options exercisable |
|---|---|---|---|
| $ 1.30 | 247,000 | 247,000 | $ 1.30 |
| 1.45 | 588,450 | 421,645 | 1.45 |
| 1.80 | 245,000 | 245,000 | 1.80 |
| 2.10 | 216,300 | 216,300 | 2.10 |
| 2.90 | 275,500 | 275,500 | 2.90 |
| 3.00 | 457,250 | 265,554 | 3.00 |
| 3.10 | 359,220 | 359,481 | 3.10 |
| 3.45 | 40,000 | 12,000 | 3.45 |
| 6.00 | 117,000 | 27,000 | 6.00 |
| 8.50 | 777,558 | 207,166 | 8.50 |
| 21.10 | 131,000 | - | 21.10 |
| | 3,454,278 | 2,276,646 | $ 2.86 |

As at February 28, 2021, the weighted average remaining contractual life of the options exercisable and outstanding is estimated to be 5.31 and 6.48 years, respectively.

(In thousands of Canadian dollars, except share prices and unless otherwise stated)

## 10. Stock based compensation (continued):

The estimated fair value of options granted during the six months ended February 28, 2021 and February 29, 2020 was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions.

| | Six Months Ended, February 28, 2021 | Six Months Ended, February 29, 2020 |
|---|---|---|
| Fair value of options | $ 15.47 | $ 2.80-7.00 |
| Exercise price | $ 21.10 | $ 6.00-8.50 |
| Risk-free interest rate | 0.6% | 1% - 2% |
| Dividend yield | - | - |
| Volatility factor of the future expected market price of shares | 85% | 83% |
| Weighted average expected life of the options | 3 - 10 years | 3 - 10 years |

During the three and six months ended February 28, 2021, share-based compensation recorded in connection with stock options issued by theScore was $701 and $1,173 (2020 - $481 and $634).

(b) Restricted Stock Units:

In January 2021, a number of employees and senior management were granted restricted stock units. An aggregate of 374,895 RSUs were granted on January 13, 2021 and will vest over a period of 5 years.

The following table summarizes RSU activity during the six months ended February 28, 2021:

| | Number | Weighted average grant price |
|---|---|---|
| Non-vested RSUs, August 31, 2020 | - | $ - |
| Granted | 374,895 | 21.10 |
| Cancelled | - | - |
| Vested | - | - |
| Non-vested RSUs, February 28, 2021 | 374,895 | $ 21.10 |

During the three and six months ended February 28, 2021, share-based compensation recorded in connection with RSUs issued by theScore was $224 and $224, respectively (2020 - nil and nil).

## 10. Stock based compensation (continued):

(c) 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 which as of May 1, 2020 had been paused as part of an initiative to reduce costs due to the impact of COVID-19, but restarted as of January 1st, 2021. 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 Toronto Stock Exchange and are held by a custodian on behalf of the SPP participants. During the three and six months ended February 28, 2021, theScore recorded an expense of $162 and $160, as part of operating expenses, relating to its participating employees in the SPP (2020 - $198 and $407).

## 11. Revenue:

Revenue from media activities for the three and six months ended February 28, 2021 was $7,995 and $18,574 (2020 - $6,848 and $16,093).

The Company generated $366 and $96 (2020 - $443 and $685) of gross gaming revenue[1] for the three and six months ended February 28, 2021. After taking into account promotional costs and fair value adjustments of unsettled bets, the Company generated negative net gaming revenue[2] of $2,402 and $4,442 (2020 - $195 and $222) for the period.

Revenue from Canadian sources for the three and six months ended February 28, 2021 was $3,496 and $8,289 (2020 - $2,772 and $6,314), while revenue from non-Canadian sources (predominantly USA) for the same period was $2,097 and $5,843, respectively (2020 - $3,881 and $9,557). Revenue from non-Canadian sources includes both media and gaming related amounts.

[1] Gross gaming revenue is calculated as dollar amounts wagered by customers, less the dollar amounts paid out to customers in respect of such wagers which have settled in the applicable period.
[2] Net gaming revenue is measured as gross gaming revenue, less free bets, promotional costs, bonuses and fair value adjustments on unsettled bets. Refer to Note 15 for more details on unsettled bets.

(In thousands of Canadian dollars, except share prices and unless otherwise stated)

## 12. Basic and diluted income (loss) per share:

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

| | Three months ended, | | Six months ended, | |
|---|---|---|---|---|
| | February 28, 2021 | February 29, 2020 | February 28, 2021 | February 29, 2020 |
| Net loss attributable to shareholders - basic and diluted | $ (17,565) | $ (10,454) | $ (30,238) | $ (14,564) |
| Weighted average shares outstanding - basic and diluted | 39,131,192 | 35,717,393 | 34,544,719 | 32,925,169 |
| Loss per share - basic and diluted | $ (0.45) | $ (0.29) | $ (0.88) | $ (0.44) |

During the three months ended February 28, 2021 and February 29, 2020 there were no outstanding stock options, warrants, non-vested RSUs or shares resulting from the convertible debenture included in the computation of diluted loss per share as the impact would have been anti-dilutive.

## 13. Capital:

Exercise of over-allotment of the August 2020 public offering:

On September 18, 2020, the Company issued an additional 96,060 Class A Shares at a price of $6.50 per Class A Share in exchange for $624 of gross proceeds under the over allotment option of the August 25, 2020 public offering. Proceeds net of commissions, and other direct costs of the offering, were $571.

December 2020 public offering:

On December 17, 2020, the Company completed a short-form bought deal prospectus offering where 2,857,200 Class A subordinate voting shares were issued at a price per share of $14.00. On December 31, 2020, the underwriters exercised their overallotment option in full, purchasing an additional 428,580 Class A subordinate voting shares for at a price per share of $14.00, resulting in total net proceeds of the offering of $42,263.

## 13. Capital (continued):

Share Consolidation:

The Company, subsequent to shareholder approval on February 10, 2021, completed a share consolidation on February 18, 2021 resulting in ten pre-consolidation shares (Class A subordinate voting shares and special voting shares) for one post-consolidation share of the same class of share (10:1). The consolidation took effect on February 11, 2021 and the Class A subordinate voting shares commenced trading on the Toronto Stock Exchange on a post-consolidation basis at the beginning of open markets on February 18, 2021. The purpose of the share consolidation is in connection with an additional listing of the Company's Class A Shares on a U.S stock exchange.

The previously presented number of Class A subordinate voting shares, special voting shares, stock options and RSUs are all presented on a post-consolidated basis of 10:1 in these financial statements.

## 14. Convertible Debenture:

On September 5, 2019, the Company completed a non-brokered financing of $40,000 by way of issuance of convertible debentures ("convertible debenture"). The debentures carry an interest rate of 8.0%, payable in arrears, in equal semi-annual payments on the last day of February and August in each year commencing on February 29, 2020, with a maturity date of August 31, 2024, or the earlier date of redemption, repayment or conversion.

At the holder's option, the debenture may be converted into Class A subordinate voting shares of the Company ("Class A Shares") at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date and the business day immediately preceding the date fixed for redemption of the debenture. The conversion price will be $7.50 for each Class A Share, being a conversion rate of 133.3333 Class A Shares issuable for each one thousand dollars principal amount of the debenture, subject to adjustment in certain circumstances.

Subject to specified conditions, the debenture may be redeemed at the Company's option at par plus accrued and unpaid interest at any time after August 31, 2023 if the volume weighted average trading price of the Class A Shares during the 20 trading days ending on the fifth trading day preceding the date on which notice of the redemption is given is not less than 125% of the conversion price, or if the principal sum of the debenture outstanding is $4,000 or less.

(In thousands of Canadian dollars, except share prices and unless otherwise stated)

**14. Convertible Debenture (continued):**

Upon the occurrence of a change of control of the Company or the sale by the Company of its core assets, the Company will be required to make an offer to purchase the debenture at a price equal to 105% of the principal amount plus accrued and unpaid interest.

Transaction costs of $3,031, were incurred and have been recorded pro rata against the liability and equity components.

Interest and accretion expense for the three and six months ended February 28, 2021 was $2,257 and $3,621 (2020 - $869 and $2,036). As of February 28, 2021 the Company has elected to accrue unpaid interest of $3,228, to the principal sum outstanding of the debenture, and elected to pay interest of $1,711.

On inception, the Company recorded the following amounts related to the convertible debenture:

| | | |
|---|---|---|
| Liability component | $ | 27,018 |
| Transaction costs | | (2,047) |
| | $ | 24,971 |
| | | |
| Equity component (conversion feature) | $ | 12,982 |
| Transaction costs | | (984) |
| Income tax impact of convertible debenture | | (3,107) |
| | $ | 8,891 |

For accounting purposes, the debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the debentures assuming a 19% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the debentures and the fair value of the liability component, less a deferred income tax adjustment to reflect the book to tax difference in value of the debentures at the time of issuance.

(In thousands of Canadian dollars, except share prices and unless otherwise stated)

## 15. Other financial liabilities

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | February 28, 2021 | February 29, 2020 | February 28, 2021 | February 29, 2020 |
| Unsettled bets - gain (loss) at fair value | $ (29) | $ (39) | $ 116 | $ (66) |

Other financial liabilities consist of open betting positions (unsettled bets) at period end. Unsettled bets are accounted for as derivative financial instruments and are carried at fair value. Gains and losses from these positions are recognised in revenue.

## 16. Finance expense, net

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | February 28, 2021 | February 29, 2020 | February 28, 2021 | February 29, 2020 |
| Interest expense | $ 2,292 | $ 903 | $ 3,774 | $ 2,107 |
| Interest income | (28) | (32) | (28) | (149) |
| Income taxes | 13 | - | 13 | - |
| Revaluation of foreign currency balances | 913 | (354) | 1,446 | (270) |
| Net finance expense (income) | $ 3,190 | $ 517 | $ 5,205 | $ 1,688 |

## 17. Income Taxes

As a result of the income tax impact related to the convertible debenture issuance, a deferred tax liability of $3.1 million was recorded in 2019 and in the same period the Company recorded a deferred tax recovery of $3.1 million, related to operating loss carry forwards through the statement of operations, resulting in net deferred taxes of nil at February 29, 2020. As at February 28, 2021 net deferred tax remains nil. As the liability portion of the convertible debt accretes the deferred tax liability and corresponding deferred tax asset are reduced accordingly through the statement of operations resulting in a deferred tax expense (recovery) of nil as at February 28, 2021.

## 18. Subsequent Events

On March 1, 2021, the Company completed a public offering of the Company's Class A Subordinate Voting Shares ("Class A Shares") on the Nasdaq Global Select Market. A total of 6,900,000 Class A Shares were issued, including 900,000 exercised from the over-allotment option, at a price of $27.00 USD ($34.18 CAD) per share, for gross proceeds to the Company of $235.9 million.

On March 26, 2021, the holder of the convertible debenture elected to convert $18,503 of outstanding principal into Class A Subordinate Shares of the Company.