Score Media and Gaming, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three months ended November 30, 2019 and 2018

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Score Media and Gaming Inc. ("theScore" or the "Company") and our financial performance for the three months ended November 30, 2019 and 2018. The MD&A should be read in conjunction with theScore's unaudited Condensed Consolidated Interim Financial Statements for the three months ended November 30, 2019 ("Interim Financial Statements") and Notes thereto. The financial information presented herein has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The interim MD&A should be read in conjunction with theScore's MD&A for the year ended August 31, 2019. 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 January 22, 2020.

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: risks associated with 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, digital sports media industry reliant on mobile advertising, historical losses and negative operating cash flows, liquidity risk, dependence on key suppliers, mobile device users may choose not to allow advertising, limited long-

term agreements with advertisers, substantial capital requirements, protection of intellectual property, infringement on intellectual property, brand development, dependence on key personnel and employees, defects in products, real or perceived inaccuracies in key performance metrics, user data, reliance on collaborative partners, new business areas and geographic markets, operational and financial infrastructure, information technology defects, reliance on third-party owned communication networks, uncertain economic health of the wider economy, governmental regulation of the internet, currency fluctuations, changes in taxation, exposure to taxable presences, risk of litigation, internal controls, free and open source software utilization, risk relating to ownership of theScore shares, major shareholder with 100% of the special voting shares, market price and trading volume of Class A shares, debt obligations will have priority over Class A shares in the event of a liquidation, dissolution or winding up, dividend policy, future sales of Class A shares by existing shareholders, potential dilution.

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 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. Natively built for iOS and Android devices, theScore Bet is deeply integrated with theScore's media app and is currently available to place bets in New Jersey. Publicly traded on the TSX Venture Exchange (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. At November 30, 2019 theScore had 5,566 special voting shares, 357,056,779 Class A shares and 29,920,416 options outstanding.

Revenue

Total revenues for the three months ended November 30, 2019 and 2018 were $9.2 million and $9.5 million, respectively.

Revenue from media activities for the three months ended November 30, 2019 and 2018 was $9.2 million and $9.5 million. During the quarter, growth in direct advertising was offset by a decline in programmatic revenues, resulting from the impact of lower demand from a programmatic partner, who prior to January 2019 was a significant buyer of the Company's programmatic inventory, and more limited programmatic inventory in New Jersey and surrounding states related to the launch of theScore Bet.

The Company generated $8.8 million of handle[1] and $0.2 million of gross gaming revenue[2] for the three months ended November 30, 2019. After taking into account promotional costs and fair value adjustments of open bets, the Company generated negative net Gaming Revenue[3] of $26,000 for the period.

For the three months ended November 30, 2019 and 2018 revenue from Canadian sources were $3.5 million and $3.6 million, respectively, while revenue from non-Canadian sources (predominately the U.S.) for the same period was $5.7 million and $5.9 million, respectively.

Total average monthly user sessions of theScore sports app on iOS and Android was 532 million in Q1 F2020, or 123 sessions-per-user per-month on a base of 4.3 million average monthly app users[4].

Operating Expenses
(in thousands of Canadian dollars)

	Three months ended	
	November 30, 2019	November 30, 2018
Product development and content	2,582	2,273
Sales and marketing	5,491	2,453
Technology and operations	3,158	1,261
General and administration	2,820	2,524
Depreciation and amortization	1,213	828
	$ 15,264	$ 9,339

[1] Handle is calculated as the total amount of money bet by customers in respect of bets that have settled in the applicable period. Handle does not include free bets or other promotional incentives, nor money bet by customers in respect of bets that are open at period end.
[2] Gross gaming revenue is calculated as dollar amounts bet by customers, less the dollar amounts paid out to customers in respect of such bets which have settled in the applicable period.
[3] Net gaming revenue is measured as gross gaming revenue, less free bets, promotional costs, bonuses and fair value adjustments on open bets.
[4] User metrics refer to audience and engagement numbers for theScore app on iOS and Android.

Total operating expenses for the three month period ended November 30, 2019 were $15.3 million compared to $9.3 million in the same period of the prior year, an increase of $5.0 million. As a result of the implementation of IFRS 16 “Leases”, the Company recognized a right of use asset and corresponding lease liability which resulted in depreciation and interest expense. The Company is no longer expensing operating lease payments, resulting in lower operating expenses from leases.

Product Development and Content expenses for the three month period ended November 30, 2019 were $2.6 million compared to $2.3 million in the same period of the prior year, an increase of $0.3 million. Increases were a result of increased head count on the product development and content teams.

Sales and Marketing expenses for the three month period ended November 30, 2019 were $5.5 million compared to $2.5 million in the same period of the prior year, an increase of $3.0 million. Increases were principally a result of increased discretionary marketing related to the launch of theScore Bet.

Technology and Operations expenses for the three month period ended November 30, 2019 were $3.2 million compared to $1.3 million in the same period of the prior year, an increase of $1.9 million. Increases were a result of new operational expenses related to theScore Bet.

General and Administration expenses for the three month period ended November 30, 2019 were $2.8 million compared to $2.5 million in the same period of the prior year, an increase of $0.3 million. Increases related to higher professional fees, personnel expenses and stock options issued in the quarter offset by lower facility expenses related to the adoption of IFRS 16.

Depreciation and amortization for the three month period ended November 30, 2019 was $1.2 million compared to $0.8 million in the same period of the prior year, an increase of $0.4 million. Increases were due to the implementation of IFRS 16 and the recognition and depreciation of the right of use asset, as well as accelerated amortization of certain intangibles in the period.

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

As at November 30, 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, 2019 - $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 three months ended November 30, 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 and comprehensive loss to EBITDA:
(in thousands of Canadian dollars)

	Three Months Ended	
	November 30, 2019	November 30, 2018
Net and comprehensive income (loss) for the period	$ (4,110)	$ 163
Adjustments:		
Depreciation and amortization	1,213	828
Finance (income) expense, net	1,172	(27)
Deferred income tax (recovery)	(3,107)	-
EBITDA	$ (4,832)	$ 964

EBITDA loss for the three month period ended November 30, 2019 was $4.8 million compared to a positive EBITDA of $1.0 million in the same period in the prior year, a decrease of $5.8 million.

Net loss for the three month period ended November 30, 2019 was $4.1 million compared to income of $0.2 million in the same period in the prior year, a decrease of $4.3 million.

Loss per share for the three month period ended November 30, 2019 was $(0.01) compared to income per share of $0.00 in the same period in the prior year.

Additions to Intangible Assets

During the three months ended November 30, 2019, the Company capitalized internal product development costs of $1.0 million (November 31, 2018 - $0.8 million). The significant development projects for the three month period ended November 30, 2019 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.

The Company capitalized internal product development costs during the three months ended November 30, 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 November 30, 2019.

Quarterly Results	Revenue	EBITDA	Net and comprehensive income (loss)	Income (loss) per share – basic and diluted
	($000's)	($000's)	($000's)	($)
November 30, 2019	9,219	(4,832)	(4,110)	(0.01)
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)

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 and comprehensive income (loss) fluctuations are due to revenue fluctuations (as above) as well as changes in discretionary marketing costs, infrastructure costs, personnel costs, and in recent quarters, costs related to the Company's sports betting operations and infrastructure costs, and seasonal revenue fluctuations.

Liquidity Risk and Capital Resources

Cash and cash equivalents as of November 30, 2019 were $32.1 million compared to $4.0 million as of fiscal year ended August 31, 2019.

Liquidity

Liquidity risk is the risk that theScore will not be able to meet its financial obligations as they fall due. As at November 30, 2019, theScore had cash and cash equivalents of $32.1 million (August 31, 2019 - $4.0 million), accounts receivable of $9.8 million (August 31, 2019 - $8.0 million), non-current tax credits recoverable of $1.6 million (August 31, 2019 - $1.6 million) and accounts payable and accrued liabilities to third parties of $7.2 million (August 31, 2019 - $7.1 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 November 30, 2019 the amount drawn on the facility is nil (August 31, 2019 – 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 three months ended November 30, 2019 were $7.9 million compared to $2.3 million in the same period of the prior year. The increase in cash flows used in operations was a result of increases in costs related to the Company's sports betting operations.

Financing

Cash flows provided by financing activities for the three months ended November 30, 2019 was $37.1 million compared to $8.6 million in the same period in the prior year. On September 2, 2019 theScore closed a convertible debenture financing for $40 million less financing charges and costs to close the financing.

Investing

Cash used in investing activities for the three months ended November 30, 2019 was $1.2 million compared to $0.9 million in the same period in the prior year. The increase in cash used in investing activities was due to investments in property and equipment, as well as intangible assets.

Commitments

The Company has no debt guarantees, off-balance sheet arrangements or long-term obligations other than the 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
Contractual commitments	6,312	12,855	-

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

Convertible Debenture

On September 5, 2019, the Company completed a non-brokered financing of $40.0 million 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 $0.75 for each Class A Share, being a conversion rate of 1,333.3333 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 $4.0 million or less.

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.

As a result of the income tax impact related to the convertible debenture and the recording of the deferred tax liability of $3,107, during the three months ended November 30, 2019, the Company recorded a deferred tax recovery of $3,107 related to operating loss carryforwards through the statement of operations, resulting in a net deferred tax asset/liability of nil at November 30, 2019.

Related Party Transactions

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 three months ended November 30, 2019 amounted to $10,000 (2018 - $10,000).

The corresponding payable balances as at November 30, 2019 was $0.3 million (2018 – nil), which includes transactions whereby the related party is to be reimbursed for operational costs on behalf of theScore.

These transactions are recorded at the exchange amount, being the amount agreed upon between the parties.

Financial Instruments and other instruments:

theScore has the following financial instruments: cash and cash-equivalents, accounts receivable, accounts payable and a convertible debenture. The Company's financial instruments were comprised of the following as at November 30, 2019; cash and cash equivalents of $32.1 million; accounts receivable of $9.8 million; and accounts payable and accrued liabilities $7.2 million and convertible debenture of $26.1 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 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.

Customer concentration

As at November 30, 2019, a media agency had an accounts receivable balance exceeding 10% of the total accounts receivable balance (August 31, 2019 – one customer). Concentration of this customer represented 12% of the accounts receivable balance (August 31, 2019 – one customer, a media agency, represented 19% of accounts receivable balance).

For the three months ended November 30, 2019, sales to one customer, a media agency exceeded 10% of total revenue (three months ended November 30, 2018 –two programmatic networks). For the three months ended November 30, 2019, concentration of this customer comprised 13% of total revenue (three months ended November 30, 2018 – 13% and 14% respectively).

Recent standards and amendments effective September 1, 2019:

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

Effective September 1, 2019, the Company adopted IFRS 16 which specifies the methodology to recognize, measure, present and disclose leases. The standard introduces a single, on-balance sheet lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities representing its obligation to make lease payments, unless the underlying leased asset has a low value or is considered short term.

The Company leases office premises and equipment. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company presents right-of-use assets in “property and equipment,” whereas lease liabilities are separately presented in the statement of financial position.

The Company recognizes a right-of-use asset and a lease liability at lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The Company adopted IFRS 16 using a modified retrospective approach. Accordingly, comparative information presented for the year ended August 31, 2019 has not been restated. On transition to IFRS 16, the Company elected to apply the practical expedient approach to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17, Leases and IFRIC 4, Determining whether an Arrangement contains a Lease were not reassessed. The Company’s leases primarily consist of leases for office premises with terms ranging from 2 to 4 years. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

At transition on September 1, 2019, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of lease payments at inception, discounted at the Company’s incremental borrowing rate. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted for any prepaid or accrued lease payments relating to that lease.

The Company has elected to use the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- relied upon the Company's assessment of whether leases are onerous under the requirements of IAS 37, Provisions, contingent liabilities and contingent assets as at August 31, 2019 as an alternative to reviewing our right-of-use assets for impairment.

The Company has elected not to separate non-lease components and will instead account for the lease and non-lease component as a single lease component. In addition, the Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The impact on transition to IFRS 16 is summarized below (in thousands of Canadian dollars):

	September 1, 2019
Right-of-use assets	$ 2,288
Current portion of lease liabilities	$ 860
Lease liabilities	$ 1,950

When measuring lease liabilities for leases that were classified as operating leases under IAS 17, the Company discounted lease payments using its incremental borrowing rate at September 1, 2019. The weighted average rate applied is 5.44%.

(in thousands of Canadian dollars)	September 1, 2019
Operating lease commitment at August 31, 2019 as disclosed in the Company's 2019 consolidated financial statements	$ 2,999
Discounted using the incremental borrowing rate at September 1, 2019	$ 2,756
Adjustment for discounted amount of additional lease recorded	54
Lease liabilities recognized at September 1, 2019	$ 2,810

IFRS 16 replaces the straight-line operating lease expense recorded under IAS 17 with a depreciation charge for right-of-use assets and interest expense on lease liabilities, which resulted in a decrease in operating expenses, an increase in depreciation expense and an increase in finance costs.

The Company has applied judgment to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized $2.3 million of right-of-use assets and $2.8 million of lease liabilities as at November 30, 2019. During the three months ended November 30, 2019, the Company recognized depreciation of right-of-use assets of $0.2 million (2018 – nil), and finance cost of $37,000.

The Company also made judgements in determining the incremental borrowing rate used in measuring the lease liabilities, reflecting the rate that the Company would have to pay for a loan of similar term, with similar security, to obtain asset of similar value.

Right-of-use assets and Lease liabilities

At inception of a contract, the Company assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes right-of-use assets and lease liabilities at the lease commencement date. After the initial adoption date, the right-of-use asset is initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred; and
- An estimate of costs to dismantle or remove the underlying asset, or restore the asset to the condition required by the terms and conditions of the lease.

Subsequent to initial measurement, right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated on a straight-line basis over the term of the lease, or the estimated useful life of the right-of-use assets if the Company expects to obtain the ownership of the leased asset at the end of the lease. The lease term includes the non-cancellable period of the lease and optional renewable periods that the Company is reasonably certain to extend.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After initial recognition, the lease liability is measured at amortized cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase option, extension option or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The lease liability is also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change with the difference recorded in net income prior to the remeasurement of lease liability.

As a result of the launch of theScore Bet, the Company has adopted the following policy for gaming revenue recognition:

(b) Gaming Revenue Recognition

In transactions where the Company generates a net gain or loss on a bet which is determined by an uncertain future event, the transaction is within the scope of IFRS 9 ("Financial Instruments"). Revenue is recorded as the gain or loss on betting transactions settled during the period, less free bets, promotional costs, bonuses, and fair value adjustments on open bets. The Company recognizes the gain or loss on a betting transaction as revenue when a bet is settled. The gain or loss is calculated as the total of sums bet less amounts paid out in respect of such bets when such bets are settled with the customer. Any open bets are accounted for as a derivative financial instrument carried at fair value with gains and losses on the open bets recognized in revenue.