

# **BIG STICK MEDIA CORPORATION (BSM)**

## **MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**

**FOR THE YEAR ENDED NOVEMBER 30, 2007**

The following discussion and analysis of Big Stick Media Corporation’s (“BSM” or the “Company”) (formerly iGaming Corporation, “IGA” and prior to that, DPC Biosciences Corporation, “DPC”) financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended November 30, 2007. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and represent results for the fiscal years ended November 30, 2007 and November 30, 2006. The financial statements for the fiscal year ended November 30, 2007 represent the consolidated results and financial position of BSM and its two wholly-owned subsidiaries, IGC Entertainment Corporation (“IGC”) and National Sports Services (IGC), Inc. (“NSS”). The financial statements for the fiscal year ended November 30, 2006 represent the consolidated results and financial position of BSM, IGC and NSS for the latter portion of such fiscal year and of DPC and its then wholly-owned subsidiary, DPC Biosciences Inc., for the beginning portion of such fiscal year. The Company’s audited 2006 and 2007 consolidated financial statements and MD&A are available through the SEDAR website at [www.sedar.com](http://www.sedar.com). All currency amounts represented herein are stated in Canadian dollars unless otherwise disclosed.

### **Forward-looking Statements**

This management discussion and analysis contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated. Management considers the assumptions on which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect. The Company does not undertake to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of any unanticipated events.

### **DESCRIPTION OF BUSINESS**

BSM previously operated under the name DPC Biosciences Corporation. DPC and its former wholly-owned subsidiary, DPC Biosciences Inc., carried on business in the biotechnology industry and its business model involved research and development of diagnostic tools for neuroscience-related diseases. Activities were suspended in June 2001 with the closure of the laboratory in Ste-Foy, Québec. In October 2001, DPC Biosciences Inc.’s principal asset was sold and both the parent and the subsidiary became inactive. On December 20, 2005, the Company sold all of its shares in DPC Biosciences Inc. for total cash consideration of \$10 payable on that date. The sale resulted in a gain of \$322,690 based on the elimination of the subsidiary’s working capital deficit.

In February, 2006 the Company commenced a process of re-activation (the “Reactivation”) with the goal of having its shares listed on the TSX Venture Exchange (the “Exchange”). To facilitate the Reactivation process, the Company completed two non-brokered private placements in January and February of 2006 that collectively generated subscription proceeds of \$450,000. On August 24, 2006, the Company’s shareholders approved the Reactivation and on September 12, 2006, the Company received the final approval of its Reactivation from the Exchange.

Pursuant to such Reactivation, the Company was renamed iGaming Corporation and its common shares began trading on the Exchange (effective September 14, 2006) under the stock symbol “IGA”. Furthermore, as set forth in further detail below, the Company adopted a business model involving the

sale of fact-based and opinion-oriented information relevant to the North American sports industry. In June of 2007, the Company was further renamed as Big Stick Media Corporation.

## **ASSET ACQUISITIONS AND FINANCINGS**

1. In conjunction with the Reactivation, on September 13, 2006 the Company completed its previously announced acquisition (the "IGC Acquisition") of certain assets from Global Marketing Focus, Inc., a privately held British Columbia company, which assets are utilized to derive revenues from the online sale of information relevant to the North American sports industry. The consideration paid for such assets consisted of \$500,000 cash and 5,500,000 treasury-issued common shares upon closing plus a further 1,000,000 treasury-issued common shares once the acquired assets achieved certain revenue milestones. Finally, in the course of the asset acquisition, the Company assumed a deferred revenue obligation of \$292,490. The effective date of the IGC Acquisition was September 1, 2006. The additional 1,000,000 shares were issued on July 19, 2007 once the requisite revenue milestone had been met.

Concurrent with the Reactivation, the Company completed its previously announced private placement (the "First Private Placement") pursuant to which it issued 21,750,000 units consisting of 21,750,000 common shares (issued from treasury) and 10,875,000 common share purchase warrants at a price per unit of \$0.20 for gross proceeds of \$4,350,000. The 10,875,000 common share purchase warrants were exercisable at a price of \$0.30 for a period ending on February 23, 2008. As of the date hereof, all of the warrants issued in conjunction with this financing expired unexercised and are thus null and void.

2. On November 6, 2006, the Company completed an acquisition of certain assets of National Sports Services, Inc. ("National"), a Nevada-based sports information company (the "NSS Acquisition"). The purchased assets include customer lists, certain cash balances and merchant reserves, software and various fixed assets. The effective date of the acquisition was October 1, 2006.

The agreement of purchase and sale associated with the NSS Acquisition stipulated that the aggregate purchase price for the acquired assets was to be a maximum of \$4,000,000 to be paid pursuant to three components. An addendum was subsequently made to the asset purchase agreement whereby the maximum potential purchase price was increased to \$4,971,701. The first component of the purchase price (the "Initial Consideration") was paid by the Company via its assumption of certain of National's net working capital liabilities (including deferred revenue) in the amount of \$1,692,917. The second component of the purchase price (the "Cash Consideration") consisted of a cash payment of \$300,000 that was made to National given that the acquired assets generated revenue that exceeded the specified target for the months of October-November, 2006. The third component of the purchase price (the "Stock Consideration") is payable to National in the form of common shares of the Company (issued from treasury) based on the acquired assets meeting or exceeding specified revenue targets for the eight quarters comprising the fiscal years ending November 30, 2007 and November 30, 2008. The aggregate amount of Stock Consideration available to be paid is to be equal to the excess of the maximum purchase price over the sum of the Initial Consideration and the Cash Consideration (i.e. \$2,978,784).

In accordance with the terms of the Stock Consideration, the Company became contingently obligated to issue the Stock Consideration of \$2,978,874 over the eight quarters comprising the fiscal years ending November 30, 2007 and November 30, 2008. Any shares to be issued in respect of this agreement were to be issued at a deemed price per share of \$0.35. Accordingly, the Corporation was contingently obligated to issue a maximum of 8,511,068 common shares from treasury. The details regarding the potential share issuances and the revenue targets dictating whether all or any portion of the contemplated share issuances would be required is provided below.

Quarter Number	Fiscal Quarter End	# of Eligible Shares Available	Net Revenue Target	Minimum Required Net Revenue
1	Feb. 28, 2007	1,276,660	US\$2,500,000	US\$1,625,000
2	May 31, 2007	1,276,660	US\$2,000,000	US\$1,300,000
3	Aug. 31, 2007	1,276,660	US\$1,000,000	US\$650,000
4	Nov. 30, 2007	1,276,660	US\$2,000,000	US\$1,300,000
5	Feb. 29, 2008	851,107	US\$2,700,000	US\$1,755,000
6	May 31, 2008	851,107	US\$2,100,000	US\$1,365,000
7	Aug. 31, 2008	851,107	US\$1,000,000	US\$650,000
8	Nov. 30, 2008	851,107	US\$2,200,000	US\$1,430,000
<b>TOTAL</b>		8,511,068		

For purposes of the NSS Acquisition, the actual revenue and the related revenue targets are calculated based on cash receipts, net of chargebacks ("Net Revenues") generated by the acquired assets in the particular period. The aforementioned addendum to the agreement of purchase and sale clarifies that revenue is not to be measured in relation to the periods when the particular revenue is recognized for accounting purposes in reliance upon generally accepted accounting principals.

If the Net Revenue target is met or exceeded for any particular fiscal quarter, National will receive the maximum number of eligible shares allotted for that fiscal quarter. If the target is not met, National will receive a percentage of the eligible shares for that quarter equal to the proportion of the target revenue amount that actual Net Revenues represent. However, if the realized Net Revenues for any particular fiscal quarter are less than 65% of the target for that quarter, no shares will be issued to National in respect of such quarter. Nonetheless, in the event that the minimum required revenue is attained for the full fiscal year in question, eligible shares, up to the maximum amount for the particular year, may still be issued to National as a "catch-up" in respect of the previously deficient fiscal quarter.

For the quarter ended February 28, 2007, the acquired assets generated sufficient Net Revenues to allow for the issuance to National of all of the available shares for such period. Accordingly, 1,276,660 shares were issued to National in April, 2007. For the quarter ended May 31, 2007, the revenues produced by the acquired assets were such that National became entitled to receive 1,078,489 additional shares. This share allotment was 198,171 less than the maximum number of shares reserved for National for the quarter ended May 31, 2007 (referred to herein as the "Deficient Share Amount"). The Deficient Share Amount was still eligible to be earned by National provided that the acquired assets generated no less than \$7.5 million of net revenues for the fiscal year ending November 30, 2007.

For the quarter ended August 31, 2007, the acquired assets generated sufficient Net Revenues to allow for the issuance to National of all 1,276,660 shares so reserved. Such shares were issued on September 28, 2007. Similar results were achieved in the quarter ended November 30, 2007 such that an additional

1,276,660 shares became issuable to National. As well, given that the full year Net Revenue total exceeded US\$7.5 million, the Deficient Share Amount was earned as well by National. Accordingly, the total number of shares owed to National as at November 30, 2007 was 1,474,831. These shares were issued on January 15, 2008.

While the transaction negotiated with National had contemplated the common shares to be issued was computed with reference to a per share price of \$0.35, for accounting purposes, the actual share consideration was recognized based on the trading price of BSM's common shares on the last day of the relevant fiscal quarter. The total Stock Consideration recognized in 2007 was \$1,025,291. As at November 30, 2007, \$324,463 of Stock Consideration was issuable to NSS based on the fourth quarter and full year Net Revenue figures. There remains 3,404,428 shares contingently issuable in respect of the NSS Acquisition.

3. On December 11, 2006, the Company completed the purchase of certain of the assets related to the fantasy sports website [www.rotoplay.com](http://www.rotoplay.com) from RotoPlay, Inc. (the "Rotoplay Assets"), a Pennsylvania-based corporation specializing in the online fantasy sports industry. The purchase of the RotoPlay Assets which offer a wide variety of unique and innovative fantasy sports contests based on football, baseball, basketball, golf, and auto racing, provides the Company with significant exposure to the increasingly popular fantasy sports industry. The RotoPlay Assets include all customer databases, all hardware and software associated with the Rotoplay website and all related intellectual property. Except for the assumption of customer deposits, the Company did not assume any other liabilities, obligations or commitments of RotoPlay Inc.

Following the purchase, one of the principals of RotoPlay, Inc. was engaged by the Company as a consultant charged with the administration of the Company's fantasy sports operations.

The aggregate purchase price of this transaction was stipulated as a maximum of US\$300,000 (\$344,250), of which US\$115,000 (\$131,963) was paid upon closing in the form of cash and the assumption of customer deposits in the approximate amount of US\$33,000 (\$37,913). The remainder of the purchase price was subject to the purchased assets attaining pre-determined revenue targets for the Corporation's fiscal end between February, 2007 and November, 2007. For purposes of the February 28, 2007 financial statements, the Company accrued additional purchase price consideration of US\$35,000 (\$40,646) based on the attainment of revenues for the quarter. In March of 2007, the Company and RotoPlay, Inc. agreed to amend the terms of payment such that the purchase price was reduced to US\$275,000 (\$320,283) with the full unpaid balance of US\$160,000 (\$188,320) paid at that time.

4. On May 11, 2007 the Company completed a private placement (the "Second Private Placement") pursuant to which it issued 5,750,000 Units consisting of 5,750,000 treasury-issued common shares and 2,875,000 common share purchase warrants at a price per Unit of \$0.20 for gross proceeds of \$1,150,000. The 2,875,000 common share purchase warrants were exercisable at a price of \$0.30 for a period ending on February 23, 2008. As of the date hereof, all of the warrants issued in conjunction with this financing expired unexercised and are now null and void. The Second Private Placement was undertaken to provide the working capital necessary to enable the Company to re-vamp and re-position its proprietary client-server based software application (branded as "Linetracker") that provides paid subscribers with continuously updating factual information relating to North American sports contests and their participants. On the strength of such initiative, the Company was successful in capturing a significant share of the market for live sports information market.

5. On July 16, 2007, IGC acquired certain assets related to the operation of the website domiciled at [www.who2beton.com](http://www.who2beton.com) (the "W2 Assets"). The W2 Assets were deployed by IGC to sell additional opinion-oriented information relevant to the North American sports industry. The purchase price consisted of initial consideration of \$6,850 as well as additional consideration payable out of prospective operating income to be produced by the acquired assets until November 30, 2015. The maximum

additional consideration that could have become payable was \$3 million. The terms of the asset purchase agreement provided IGC with the ability to re-sell the assets back to the vendor for an amount equal to the cumulative amount expended by the Company in marketing the purchased assets to the effective date of resale at any time between November 1, 2007 and November 30, 2008. On December 15, 2007, the Company exercised its re-sell right and transferred the W2 Assets back to the vendor. During the period of time that the Company operated the W2 Assets, it realized a net loss of \$87,199 which has been classified as a project investigation cost on the November 30, 2007 financial statements. The Company and the original vendor of the W2 Assets have agreed on a payment schedule regarding the re-payment of marketing dollars spent by the Company during its period of operating the W2 Assets. The net present value of such deferred payments is \$56,162. This amount is reflected as a loan receivable on the balance sheet as at November 30, 2007.

## **NATURE OF OPERATIONS**

The Company is involved in the sale of fact-based and opinion oriented information that is relevant to sports gaming in North America. The Company generates revenue through five primary divisions.

1. News Dissemination Service: The Company owns and operates the Linetracker application that provides paid subscribers with continuously updating factual information relating to North American sports contests and their participants. The information includes scores and statistics regarding in-progress and historical games, player statistics, injury updates, weather forecasts and betting lines offered by various licensed sportsbooks.
2. Call Center Handicapping Advice: The Company operates a call center in Las Vegas, Nevada that sells handicapping advice related to sporting events contested primary in North American sports leagues. The advice is sold either on a one-off basis relating to a single game or in relation to a package of games covering a particular time period or the entire season of a particular sports league. The advice is provided by sports handicappers who have built up a reputation over a number of years. The Company produces a television show (“Proline”) that airs on USA Networks and Spike TV over 12 weeks during the National Football League (the “NFL”) season wherein the aforementioned handicappers, including NSS President Jim Feist, analyze upcoming games and players. The television show advertises various BSM offerings and serves as the marketing arm to generate sales leads for the call center products.
3. Online Handicapping Advice: The Company owns various operating websites (the “Websites”) and domain names that collectively provide factual information related to North American sports events, editorial content, betting line information and handicapping advice. Similar to the call center operations, handicapping advice is either sold on a one-off basis or based on a package covering a particular time or number of games. The most significant of the Websites are [www.JimFeist.com](http://www.JimFeist.com), [www.PicksOnline.com](http://www.PicksOnline.com), [www.Vegasonlinesports.com](http://www.Vegasonlinesports.com), [www.OffshoreConnections.com](http://www.OffshoreConnections.com), and [www.ScoresLinesPicks.com](http://www.ScoresLinesPicks.com).
4. Advertising: During the NFL season, the Websites receive a large proportion of their overall yearly traffic. While the level of traffic falls after completion of the NFL season, it remains reasonably significant in comparison to similar sites. The demographic of the typical visitor is an adult male with above average economic means who is a serious sports enthusiast. As such, the user base of the Websites matches the demographics typically sought by an array of companies catering to the sports enthusiast market. Accordingly, the Company sells advertising space in the Websites to several such companies. As of the date hereof, the space available for third party advertisers is almost entirely allocated.
5. Fantasy Sports: With its acquisition of the RotoPlay Assets, the Company is engaged in organizing and operating various fantasy sports contests catering to all of the major North American sports. The Company generates revenue by selling entry tickets to the various contests

and it pays out cash prizes to contestants based on the performance of the fantasy teams they have selected.

## **RISKS**

1. Legislative Environment: While the Company is not engaged in any gaming operations and neither handles nor administers any gambling transactions or customer deposits relating to gambling transactions, it provides information that is relevant to the sports gaming industry. The gaming industry is subject to periodic legislative changes that, while not affecting the Company's business directly, do impact the environment in which it operates.
2. Operating History: The Company has a limited operating history within the sports information space. The operations in this sector to date have generated operating losses. As well, the Company's previous activities within the biotechnology space generated significant losses. As a result, as at November 30, 2007, the Company's balance sheet reflects an accumulated deficit of approximately \$12.9 million. As well, there can be no assurance that on a prospective basis operating income will be realized.
3. Competition: The Company is engaged in a highly competitive space of providing fact-based and opinion oriented information relevant to the sports market. The competitors operate in Canada and the United States and, in certain cases, have greater financial wherewithal than the Company. In order to continue to compete effectively in the market the Company needs to continuously invest in and improve the capability of its technological platforms.
4. Limited Funds: While management feels that the Company has sufficient funds to execute its existing business plan and to continue to carry on its existing operations, should the Company wish to take advantage of certain merger and acquisition opportunities, it is likely that additional financing would be required. There can be no assurance that such financing would be available on terms acceptable to the Company.
5. Reliance on Key Personnel: The Company is highly reliant on certain key management personnel including the CEO, Christopher Kape, the CFO, Robbie Manis and the President of NSS, Jim Feist. The loss of any of these key employees would have a material adverse impact on the Company and its future prospects.
6. Foreign Exchange: While the Company's functional currency is the Canadian dollar, it derives almost all of its revenues in U.S. dollars and the bulk of its operating expenses are denominated in U.S. dollars. Fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar could have a material impact on the Company's operations and financial position. The Company does not currently have any hedging programs in place to mitigate this risk. There can be no assurance that the Company will not experience currency losses in the future which could have a material adverse effect on the Company.
7. Stock Price Volatility: The market price of the Company's common shares has experienced significant fluctuation that may continue in the future. The market price of the Company's common shares may be adversely affected by legislative changes, innovation or technological changes, the emergence of new competitors, quarterly variations in revenues and results of operations and general market conditions.

## **RESULTS OF OPERATIONS**

The Company effectively commenced operations in the sports information space on September 1, 2006 with the more significant NSS Acquisition closing effective October 1, 2006. Accordingly, the results of operations for the year ended November 30, 2007 represent twelve full months of operating the

Company's core business units while the comparable period for fiscal 2006 represents only 2 months of operations in the sports information business following the Reactivation. The balance of the 2006 fiscal year is characterized by limited activity during which time the Company was in the process of completing the Reactivation and therefore reflected no revenues while incurring expenses in order to maintain its status as a reporting issuer.

For the year ended November 30, 2007, the Company incurred a net loss of \$3,173,842 versus a loss of \$1,843,446 for the year ended November 30, 2006. Excluding the effects of non-cash expenses related to amortization and stock option compensation as well as a foreign exchange loss emanating from the depreciating U.S. dollar, the adjusted net loss for the year ended November 30, 2007 was \$1,341,192. Furthermore, the Company incurred a net loss of \$87,199 during the course of operating the W2 assets which loss is non-recurring given that the W2 Assets were re-sold to the original vendor shortly following the 2007 year end. Moreover, the Company incurred approximately \$60,000 on consulting fees regarding its Rotoplay division during fiscal 2007 which fees have since been reduced to an annualized \$6,000. As a result, stripping out the effects of these non-recurring losses and expenses results in a normalized loss figure of approximately \$1,200,000 for fiscal 2007.

Management is working diligently to enhance the efficiencies of its business units to allow for profitability in future fiscal years. These initiatives include broadening the base of advertising for the Company's core handicapping sales and further growing the market share of the Linetracker product.

The November 30 year end date falls in the middle of the important football season. A substantial portion of the Company's handicapping sales relate to packages of football picks for which the revenue is recognized over the period to which such package relates. Accordingly, at the year end date, a substantial portion of the revenue related to such sales remains deferred for accounting purposes. It is for this reason that the balance sheet reflects significant deferred revenue of over \$3.4 million in respect of which the cash has already been received by the Company. The vast majority of such deferred revenue will be recognized in the 2008 fiscal year. Accordingly, while the accounting loss for the year ended November 30, 2007 is \$3,173,842, the net cash used in operations is only \$1,004,255 which includes the effects of the non-recurring losses and expenses described above.

Set forth below is the summarized results of operations for the years ended November 30, 2007 and November 30, 2006.

<b>For the Fiscal Year Ended</b>	<b>November 30, 2007</b>	<b>November 30, 2006</b>
Total Revenues	\$11,605,356	\$2,540,167
Loss from Continued Operations	(\$3,173,842)	(\$2,166,136)
Net Loss	(\$3,173,842)	(\$1,843,446)
Basic and Diluted Loss per Common Share	(\$0.056)	(\$0.055)

## **Revenues**

For the year ended November 30, 2007 the revenues totalled \$11,605,356 (2006 \$2,540,167) inclusive of interest revenue of approximately \$111,000. Approximately \$8,580,000 of the 2007 revenues were generated by the call centre and related operations in Las Vegas, Nevada. A further \$2,087,000 was earned by IGC via the operation of the Websites and Linetracker products and \$181,000 was earned in the

context of the fantasy sports program. Finally, IGC generated approximately \$647,000 in advertising revenue by making available website space to advertising clients. The revenue recognized by the call centre operations represents the sum of opening deferred revenue that was earned during the period, additional sales made during the period less the portion of such sales that was deferred to the subsequent fiscal year. The bulk of the call centre advice sold is represented by packages of picks that cover entire seasons of North American sports leagues with the most significant of such leagues being the NFL. The Company follows the accounting policy of deferring and recognizing the cash receipts as revenue straight-line over the period during which the picks will be provided. Given that the NFL football season represents the busiest time for the call centre with the highest level of sales, as at November 30 of each year, the Company will have received significant sales proceeds the revenue in respect of which will be partially recognized following year end.

Furthermore, on July 23, 2007, the Company re-vamped its Linetracker product with a view to significantly increasing its market share in the provision of fact-based information relevant to the North American sports sector. To date, those efforts have been significantly successful and the Company has increased its subscriber base by almost 400%. Most of the cash inflow related to the additional sales represent annual subscription fees for which the revenue is recognized straight-line over the subscription period. Accordingly, a relatively minor portion of the cash receipts are reflected as revenue for the year ended November 30, 2007. By contrast approximately \$800,000 of such amount is currently included in the deferred revenue balance as at November 30, 2007.

As at November 30, 2007, the Company's balance sheet reflects a total deferred revenue balance of \$3,446,859 of which \$3,319,272 will be recognized as revenue in the ensuing 12 months. There are no deferred or prepaid expenditures related to the call centre or Linetracker operations on the balance sheet that will be expensed in the subsequent periods against such revenue. Accordingly, the entirety of this revenue recognition amount will be reflected in the gross profit of the subsequent periods.

### **Direct Costs**

The direct costs for the year ended November 30, 2007 were \$839,537 (2006 - \$200,423). These costs relate in large part to the costs incurred to produce the sports schedule that details upcoming games in the various North American sports leagues. These schedules are produced and mailed by the Company to its customer base. As well, included in this section are the costs of acquiring the information and data feeds from various services. Finally, the cost of prizes awarded to contestants of the fantasy sports program are included in this category.

### **Selling Expenses**

The total selling expenses for the year ended November 30, 2007 were \$6,300,511 (2006 - \$2,446,585). The biggest component of the selling expenses is the commission paid to handicappers who provide the advice to clients and the salespeople who facilitate the sales. Generally, the handicappers receive a commission equal to 10% of any call centre or Website sales attributable to the advice they have provided. The salespeople in the call centre generally receive a commission equal to 25% of any sales that they close. Despite the fact that the revenues produced in the call centre are often subject to deferral as discussed above, the entirety of the handicapper and salesperson commissions are expensed to cost of sales as incurred. This creates an accounting mismatch in the quarters in which the revenues and associated commission expenses are recognized.

The call centre communicates with its worldwide clientele by telephone and as such, the charges related to long distance calls represents a meaningful component of the selling expenses. For the year ended November 30, 2007 the telephone expense represented approximately 2.0% of revenue. The other significant component of the selling expenses is the cost of producing and airing of weekly television and radio shows. The television show airs primarily during the fourth quarter of each fiscal year and the

related expenditures are expensed entirely as incurred. The total advertising expense recognized for fiscal 2007 is \$2,434,047 (2006 – 1,462,946).

### **Administration Expenses**

The administration expenses for the year ended November 30, 2007 totalled \$5,806,500. The corresponding figure for fiscal 2006 was \$1,551,077. The significant cost components of this item include salaries and related benefits and professional and consulting fees in the approximate amounts of \$3,307,000 and \$926,947 respectively. The salaries and consulting expenses have continued to grow due to the need for additional personnel as well as additional commitment from management as the business operations have increased in scope and complexity. Furthermore, travel expenses, bank charges and payment processing fees as well as rent and office expense represent material components of this expense category.

### **Amortization Expenses**

For its year ended November 30, 2007, the Company recognized amortization expense of \$1,521,781 relating to the amortization of assets acquired in connection with the IGC Acquisition, the NSS Acquisition and the acquisition of the RotoPlay Assets. The corresponding figure for the year ended November 30, 2006 was \$262,506.

### **Foreign Currency Translation Gains and Losses**

The Company realized a foreign currency translation loss of \$279,270 related to the operations of BSM, IGC and NSS due to the continued depreciation of the U.S. dollar during the year ended November 30, 2007. The corresponding figure for the year ended November 30, 2006 was a gain of \$22,920.

### **Income Tax**

While the Company has consolidated unused tax loss carry-forward balances, it has elected to apply a valuation allowance against the entirety of its tax assets. Accordingly, no such assets have been reflected on the Company's balance sheets for either its fiscal years ended November 30, 2007 or November 30, 2006. As at the year end of November 30, 2007, the Canadian and U.S. tax loss carryforward amounts are approximately \$3.35 million and \$1.21 million respectively.

## **LIQUIDITY AND CAPITAL RESOURCES**

On January 12, 2006, the Company completed the first round of a non-brokered private placement in the amount of \$150,000 at \$0.05 per share by issuing a total of 3,000,000 common shares of the Company.

On February 28, 2006, the Company completed the second round of the non-brokered private placement in the amount of \$300,000 at \$0.05 per share by issuing a total of 6,000,000 common shares of the Company. The effective date for such transaction was January 30, 2006.

Concurrent with the Reactivation, the Company completed the First Private Placement of Units pursuant to which it issued 21,750,000 common shares from treasury at a price per Unit of \$0.20 for gross proceeds of \$4,350,000. After payment of various share issuance costs, the net proceeds of the First Private Placement totalled \$3,930,414.

In May of 2007, the Company completed the Second Private Placement of Units pursuant to which it issued 5,750,000 common shares from treasury at a price per Unit of \$0.20 for gross proceeds of \$1,150,000. After payment of various share issuance costs, the net proceeds of the Second Private Placement totalled \$1,143,905.

The Company used a portion of the net proceeds from the First Private Placement to pay the cash portion of the IGC Acquisition, the NSS Acquisition and the purchase of the Rotoplay Assets. As well, it utilized further amounts to fund the operations during the fourth quarter of fiscal 2006 as well as the fiscal 2007 year. The proceeds of the Second Private Placement have been used primarily to achieve the desired market share growth for the Linetracker product. As at November 30, 2007, the Company had available cash of \$2,336,216 as well as merchant account balances and restricted cash of \$953,946 for a grand total of \$3,290,162. The Canadian dollar equivalent cash balance has been adversely affected by the fact that the Company holds significant amounts of U.S. dollars which have continued to depreciate relative to the Canadian dollar.

The Company feels that it has sufficient cash on hand to execute its business plan during the year ending November 30, 2008. However, should the Company identify acquisition targets in respect of which cash consideration is required, the Company may need to undertake additional financings in the future. Alternatively, the Company may raise additional funds via the exercise of outstanding options that have exercise prices of between \$0.10 and \$0.235 per share.

### **Lease Commitments**

IGC has entered into an office lease agreement requiring the payment of \$4,474 per month (\$53,688 per annum). This lease has a termination date of June 30, 2008.

NSS has entered into an office lease agreement requiring the payment of US\$17,030 per month (US\$204,360 per annum). This lease has a termination date of June 30, 2008.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

### **SUBSEQUENT EVENTS**

1. On December 7, 2007, two former consultants of the Company exercised an aggregate 1,000,000 stock options at a per unit price of \$0.15 for aggregate consideration of \$150,000.
2. On December 1, 2007, following the resignation of a Company employee, 10,000 stock options previously granted to her allowing for the purchase of common shares at a per unit price of \$0.18 were cancelled. Furthermore, on December 14, 2007, 70,000 options to acquire common shares at a per unit price of \$0.15 expired unexercised. Finally, on January 31, 2008, following the termination of an investor relations mandate, 500,000 stock options previously granted to a consultant of the Company allowing for the purchase of common shares at a per unit price of \$0.20 were cancelled.
3. On December 15, 2007, the Company exercised its re-sell right regarding the W2 Assets as set forth more fully in the paragraph 5 of the above section entitled Asset Acquisitions and Financings.
4. On January 15, 2008, 1,474,831 common shares were issued as additional Stock Consideration in respect of the NSS Acquisition. For accounting purposes, such shares were considered to be issued at the per share price of \$0.22 which reflected the trading price of the Company's shares as at November 30, 2007. The resulting \$324,463 is reflected as share capital issuable as contingent consideration on the November 30, 2008 balance sheet.
5. On February 23, 2008, all of the Company's outstanding warrants expired unexercised.

## **RELATED PARTY TRANSACTIONS**

Effective November, 2006, the Company paid monthly legal fees in the amount of \$5,000 to a law firm of which Mr. Morden Lazarus, a director of the Company, is a principal. The total amount paid in the year ended November 30, 2007 is \$60,300.

The Company is party to a consulting arrangement with a corporation controlled by Christopher Kape, the CEO of the Company and a director, that provides for monthly fees of \$16,666. The total such fees paid in the year ended November 30, 2007 is \$200,000. In addition, an annual bonus of \$50,000 was paid during such year for aggregate consulting fees of \$250,000 recognized in the year ended November 30, 2007.

The Company is party to a consulting arrangement with a corporation controlled by Robbie Manis, the CFO of the Company and a director, that provided for monthly fees of \$5,000 from September 1, 2006. The quantum of the monthly fee was increased to \$8,333 effective February 2007 and further increased to \$16,666 effective September 2007. The total such fees paid in the year ended November 30, 2007 is \$118,333. In addition, an annual bonus of \$50,000 was paid during such quarter for aggregate fees of \$168,333 recognized in the year ended November 30, 2007.

During the year ended November 30, 2007, NSS paid or incurred consulting fees and other remuneration in the aggregate amount of \$669,172 owing to Jim Feist, a director of NSS, and/or a corporation controlled by Mr. Feist. In conjunction with the NSS Acquisition, in respect of the fiscal year ended November 30, 2007 the Company incurred the obligation to issue to National a total of 5,106,640 common shares based on the attainment of certain revenue thresholds during the quarter then ended. The share issuance obligation has been recorded at an average per share price of \$0.201 for total consideration of \$1,025,291. Of this amount \$324,463 was owing as at November 30, 2007.

## **CONTROL SYSTEMS**

Management has designed such disclosure controls and procedures, or caused such to be designed under management's supervision, to provide reasonable assurance that material information relating to the Company is made known to management by others within the Company.

Management has also designed such internal control over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

During the course of an interim audit completed by the Company's external auditor during the year ended November 30, 2007, certain control deficiencies were noted and communicated to the Company's audit committee. Details regarding the material items are as follows:

1. The commission rates applicable to the NSS call center salespeople and the rules governing deviations from the norm are not properly documented in a Company policy manual. This could lead to incorrect commission charges.
2. Sales orders within the NSS call center are not pre-numbered thereby introducing that possibility that some orders are not accounted for therefore compromising the completeness of the revenue.
3. Purchase orders and invoices are not always subject to the appropriate chain of approval thereby introducing the possibility of unauthorized expenses.
4. While there are three authorized signatories for cheques issued by NSS, much reliance is placed on one such individual. This creates a risk of interruption in the payment of obligations were this individual to be absent for a protracted period.

5. Due to the small size of the NSS accounting and administration department, optimal segregation of duties is not always employed.
6. The Company does not currently have in place an optimal system for maintaining employee files, pay rates, policies and evaluation history.
7. The Company has not implemented optimal policies or procedures regarding the processing of online sales and the safeguarding of electronic information emanating from such sale transactions.

While the above deficiencies were noted by the auditor, no incidence of material error or fraud was found. In any event, the Company is working diligently to address the internal control deficiencies and aims to have a much more robust system in place during the 2008 fiscal year.

## OTHER INFORMATION

### SUMMARY OF SECURITIES ISSUED IN THE YEAR ENDED NOVEMBER 30, 2007

Date Issued	Type of Security	Type of Issue	Number	Price	Total Proceeds
April 26, 2007	common shares	Treasury issuance	1,276,660	\$0.20	\$255,332
May 11, 2007	common shares	Private placement	5,750,000	\$0.20	\$1,150,000
May 11, 2007	warrants	Private placement	2,875,000	\$0.30	NIL (1)
June 28, 2007	common shares	Treasury issuance	40,000	\$0.15	\$6,000
July 19, 2007	common shares	Treasury issuance	1,078,489	\$0.20	\$215,698
July 19, 2007	common shares	Treasury issuance	1,000,000	\$0.20	\$200,000
July 20, 2007	common shares	Treasury issuance	40,000	\$0.15	\$6,000
August 14, 2007	common shares	Treasury issuance	40,000	\$0.15	\$6,000
September 28, 2007	common shares	Treasury issuance	1,276,660	\$0.18	\$229,799
October 3, 2007	common shares	Treasury issuance	30,000	\$0.15	\$4,500
October 29, 2007	common shares	Treasury issuance	175,000	\$0.15	\$26,250

(1) The warrants had an expiry date of February 23, 2008. None of the warrants were exercised prior to their expiry date.

## STOCK OPTIONS

The Company issued 1,116,666 stock options during the year ended November 30, 2007 as per the following:

Date Granted	Number	Type	Exercise Price	Expiry Date
March 23, 2007	166,666	Options to acquire common shares	\$0.15	March 23, 2008
May 10, 2007	200,000	Options to acquire common shares	\$0.235	May 10, 2009
June 15, 2007	200,000	Options to acquire common shares	\$0.20	June 15, 2009
June 27, 2007	50,000	Options to acquire common shares	\$0.22	June 27, 2009
August 1, 2007	500,000	Options to acquire common shares	\$0.20	January 31, 2008

As at December 1, 2006, the Company had 5,330,000 stock options outstanding. As per above, it granted an additional 1,116,666 options during the fiscal year ended November 30, 2007 and cancelled 191,666 options during such year. Furthermore, 325,000 options were exercised during the year. As at November 30, 2007, 5,930,000 options remained outstanding.

### AUTHORIZED AND ISSUED CAPITAL FOR THE YEAR ENDED NOVEMBER 30, 2007

Class	Par Value	Authorized Number	Issued Number	Amount
Common	No par value	Unlimited	67,055,842	\$13,203,272

In December of 2007, options to acquire 1,000,000 common shares were exercised by former consultants to the Company. Furthermore, in January of 2008, the 1,474,831 common shares due to National were issued. As a result of these transactions, the total number of outstanding common shares increased to 69,530,673 (as at the date hereof).

### OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES OUTSTANDING AS AT NOVEMBER 30, 2007

Security	Number or Amount	Exercise Price	Expiry Date
Options	1,350,000	\$0.10	February 1, 2009
Options	1,900,000	\$0.13	October 12, 2008
Options	50,000	\$0.14	November 14, 2008
Options	1,070,000	\$0.15	December 14, 2007
Options	200,000	\$0.18	October 12, 2008
Options	410,000	\$0.18	October 16, 2008
Options	200,000	\$0.20	June 15, 2009
Options	50,000	\$0.22	June 27, 2009
Options	125,000	\$0.20	January 31, 2008
Options	125,000	\$0.20	January 31, 2008

Options	125,000	\$0.20	January 31, 2008
Options	125,000	\$0.20	January 31, 2008
Options	200,000	\$0.235	May 10, 2009
Warrants	13,750,000	\$0.30	February 23, 2008

As at November 30, 2007, the Company had 5,930,000 options outstanding at a weighted average exercise price of \$0.145 and a remaining average life of 0.78 years. Following the year ended November 30, 2007, 1,000,000 options were exercised, 70,000 expired and 510,000 were cancelled. As a result of these transactions, as at March 17, 2008, the Company had 4,350,000 options outstanding. The maximum number of options issuable by the Company is equal to 10% of the number of common shares of the Company that are outstanding (69,530,673 as at March 17, 2008).

**SHARES IN ESCROW OR SUBJECT TO POOLING AS AT NOVEMBER 30, 2007**

Security	Number or Amount
Common shares	3,110,300

**LIST OF DIRECTORS AND OFFICERS AS OF THE DATE HEREOF**

Christopher Kape	Director, President & CEO
Robbie Manis	Director & CFO
Morden Lazarus	Director
Cam Di Giorgio	Director
James Ryan	Director

**BIG STICK MEDIA CORPORATION**

Date: March 17, 2008

Per: *signed "Christopher Kape"*  
Christopher Kape, CEO