

QUIZAM MEDIA CORPORATION
(Formerly On-Track Learning Systems Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

August 31, 2005

NOTICE TO READER

These financial statements have been compiled by management. They have not been audited or reviewed by the Company's auditor. Readers are cautioned that these statements may not be appropriate for their purposes.

QUIZAM MEDIA CORPORATION
(formerly On-Track Learning Systems Ltd.)
CONSOLIDATED BALANCE SHEET

	Aug-05	May-05
	\$	\$
ASSETS		
Current		
Cash	-	71,134
Accounts receivable	29,048	62,460
Prepaid expenses and deposits	11,342	13,180
	40,390	146,774
Property, plant and equipment (Note 4)	51,983	46,807
	92,374	193,581
LIABILITIES		
Current		
Bank indebtedness (Note 5)	4,032	-
Accounts payable and accrued liabilities	43,014	69,416
Current portion of obligation under capital leases (Note 6)	10,224	13,632
	57,270	83,048
Long Term Debt		
Obligation under capital leases (Note 6)	27,272	27,272
Due to a related party (Note 7)	211,987	328,496
Proposal on debt settlement (Note 8)	86,800	95,200
	326,058	450,968
	383,328	534,016
SHAREHOLDERS' DEFICIT		
Shareholders' deficiency		
Capital stock (Note 9)	3,388,854	3,162,984
Private Placement	20,000	-
Deficit	(3,699,808)	(3,503,419)
	(290,954)	(340,435)
	92,374	193,581

QUIZAM MEDIA CORPORATION
(formerly On-Track Learning Systems Ltd.)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
1st QTR ENDED AUGUST 31

	2005	2004
	\$	\$
REVENUES		
Training	50,704	103,849
	<u>50,704</u>	<u>103,849</u>
EXPENSES		
Accounting and legal	14,900	29,914
Advertising and promotion	2,782	4,000
Amortization	4,554	6,529
Automobile	7,230	7,119
Bad debts	-	-
Bank charges and interest	8,770	9,855
Management fees	36,000	36,000
Office and miscellaneous	18,557	43,637
Regulatory fees	9,246	7,983
Rents	13,725	40,096
Subcontractors	5,725	17,100
Telephone	4,168	5,168
Travel and entertainment	17,140	11,743
Wages and benefits	32,490	85,977
	<u>175,287</u>	<u>305,121</u>
Loss before other items	124,584	201,272
OTHER ITEMS		
Interest income	(19)	(1)
Product development costs (Note 10)	71,824	3,979
	<u>(196,389)</u>	<u>(205,250)</u>
Net Income (Loss) for the quarter	(196,389)	(205,250)
Deficit, beginning of quarter	<u>3,503,419</u>	<u>2,836,979</u>
Deficit, end of quarter	3,699,808	3,042,229

QUIZAM MEDIA CORPORATION
(formerly On-Track Learning Systems Ltd.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
1st QUARTER ENDED AUGUST 31

	2005	2004
	\$	\$
OPERATING ACTIVITIES		
Net Income (loss) for quarter	(196,389)	(205,250)
Items not affecting cash:		
Amortization	4,554	6,013
Changes in non-cash working capital items:		
Accounts receivable	33,412	66,060
Prepaid expenses and deposits	1,838	1,636
Accounts payable and accrued liabilities	(26,402)	71,451
Net cash used in operating activities	(182,987)	(60,090)
FINANCING ACTIVITIES		
Bank indebtedness	75,166	(26,088)
Due to related parties	(116,509)	(60,414)
Capital lease obligations	(3,408)	(3,408)
Issuance of capital stock	225,870	150,000
Private placement	20,000	-
Debt settlement	(8,400)	-
	192,719	60,090
INVESTING ACTIVITIES		
Acquisition of capital assets	(9,732)	-

QUIZAM MEDIA CORPORATION
(formerly Torq Media Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
1ST QUARTER ENDED AUGUST 31, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

Quizam Media Corporation (formerly Torq Media Corporation) (the “Company”) was incorporated on September 15, 2000 under the provisions of the Company Act of British Columbia and is listed on the TSX Venture Exchange (“TSX-V”). The Company was classified as a Capital Pool Company as defined under the policies of the TSX-V until it completed its Qualifying Transaction.

On January 9, 2003, the Company acquired all the issued and outstanding shares of ON-TRACK Computer Training Ltd. (“On-Track”), which served as the Company’s Qualifying Transaction pursuant to the policies of the TSX-V (Note 3). Following this transaction, the Company changed its name from Marquette Capital Corp. to On-Track Learning Systems Ltd. On April 19, 2004, the Company changed its name to Torq Media Corporation. On May 17, 2005, the Company’s name was changed to Quizam Media Corporation. The Company’s principal business activity consists of providing computer training and consulting services, and marketing of an educational programme, which is computer based.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company’s ability to continue as a going concern is dependent on completing equity financing, obtaining support from related parties or generating consistent profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements included the accounts of the Company and its wholly owned subsidiary, On-Track. All significant inter-company transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method:

Automobile	5 years
Computer hardware	3 years
Furniture and fixtures	5 years

Revenue recognition

Training revenues are recorded when earned, which is the date students attend a course, and collectibility is reasonably assured. Support revenues are recorded when the related services have been provided and collection is reasonably assured.

Stock-based compensation

Effective June 1, 2002, the Company adopted the new CICA handbook Section 3870 “Stock-Based Compensation and Other Stock-Based Payments”, which recommends the fair value-based methodology for measuring compensation costs. The new section also permits, and the Company has adopted, the use of the intrinsic value-based method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, but requires pro-forma disclosure of loss and loss per share as if the fair value method had been adopted. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. This calculation proved to be anti-dilutive for eth years presented. Basic loss per share is calculated using the weighted average number of shares outstanding during the year.

Income taxes

The Company records income taxes using the asset and liability method. Under the assets and liability method, future tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider in more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Comparative figures

Certain comparative figures have been reclassified to conform to the financial presentation used in the current year.

3. BUSINESS COMBINATION AND CONSOLIDATION

The consolidated financial statements of the Company include all of the accounts of Quizam Media Corporation and its wholly owned subsidiary, On-Track Computer Training Ltd., a company acquired through a “reverse takeover” share exchange on January 9th, 2003. The common shares of the Company, are held in escrow and will be issued over a six-year period to the year 2009.

4. PROPERTY, PLANT AND EQUIPMENT

	\$ Cost	\$ Accumulated Amortization	\$ 2005 NBV
Automobile	64,052	28,823	35,229
Computer Hardware	253,967	243,610	10,357
Furniture and fixtures	72,369	65,972	6,397
	390,388	338,405	51,983

On May 31, 2003, the Company acquired an automobile primarily for the benefit of a significant shareholder who is a director and the president of the Company.

5. LINE OF CREDIT

As at August 31, 2005 the Company has a line of credit in place of \$5,000 bearing interest at prime plus five percent. The line of credit is guaranteed by the assets of the Company.

6. OBLIGATIONS UNDER CAPITAL LEASES

	\$ 2005	\$ 2004
Payments of approximately \$1,136 per month including Interest, due over lease terms expiring through May 2008	37,496	51,131
Less: current portion	10,224	10,224
	27,272	40,907

7. DUE TO RELATED PARTIES

The Company is indebted to a significant shareholder, who is a director and officer in the amount of \$211,987. The advance is secured by the assets of the Company and bears interest at 12% per annum and is without fixed terms of repayment.

8. DEBT SETTLEMENT

During the year, the 100% owned subsidiary of the Company made a proposal to its creditors under Subsection 50.44(1) of the Bankruptcy and Insolvency Act, and which has received creditor and creditor approval. The proposal consisted of a restructuring of \$330,000 of current debt, by reversing \$225,000 of the debt as reclaimed expenses and converting \$112,000 of the current debt into a long-term debt to be repaid over 40 months.

9. CAPITAL STOCK

	Number of Shares	\$
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Authorized – 100,000,000 common shares without par value		
Issued –		
Balance at May 31, 2001	100	100
Subdivision of shares (6:5:1)	550	-
Subdivision of shares (1:585:1)	380	-
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Balance at May 31, 2002	1,030	100
Common shares of the Company at January 9, 2003	2,872,500	-
Common shares of On-Track at January 9, 2003	(1,030)	-
Pursuant to business combination	7,210,000	125,960
Settlement of shareholder loan	479,378	359,534
Private placement	770,000	385,000
Settlement of amounts in dispute	553,000	275,000
Settlement of loan payable	660,000	330,000
Finder's fee pursuant to business combination	350,000	-
Exercise of stock options	205,000	41,000
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9. CAPITAL STOCK (continued)...

Balance at May 31, 2003	13,099,878	1,516,594
Options exercised	1,244,000	124,400
Issued from debt settlement	3,431,489	343,149
Issued by private placement	1,400,000	70,000
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Balance at May 31, 2004	19,175,367	2,054,143
Balance, after Consolidation @ 12 to 1 at May 31, 2004	1,597,947	2,054,143
Issued by private placement	6,632,132	896,261
Issued by debt settlement	764,000	125,680
Returned to treasury	(33,333)	(40,000)
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Balance at May 31, 2005	8,960,746	3,036,084
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Balance post consolidation on May 31, 2005 @ 4 to 1	2,240,187	3,036,084
Issued by private placement	2,200,000	363,000
Finder's fee (non-cash)	132,000	-
Finder's fee (cash)	-	(10,230)
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Balance at June 30, 2005	4,572,187	3,388,854
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Consolidation

The Company has undergone a consolidation of shares, exchanging four (4) old shares for one (1) new share.

Stock options

During the year ended May 31, 2005, the Company has stock option plan (the "Plan") to grant options to employees, officers, directors and consultants of the Company. On June 17, 2005, the Company granted an additional 440,000 shares, expiring on June 16, 2007, at an exercise price of \$0.50 per share.

Number Of Options	Exercise Price \$	Expiry Date
4,896	4.80	October 15, 2005
440,000	0.50	June 16, 2007

9. CAPITAL STOCK (continued)...

Stock-based compensation

The fair value of each option granted is estimated on the grant date using the Black-Scholes option pricing model. The assumptions used in calculating fair values as follows:

	\$ 2005
Risk-free interest rate	7.00%
Expected life of options	1.5 to 2 years
Expected volatility	1 to 4%
Expected dividend yield	0.00%

Warrants

At August 31, 2005, warrants were outstanding enabling holders to acquire the following number of shares:

Number of shares	Exercise Price \$	Expiry Date
29,167	4.80	January 19, 2006
500,000	0.40	May 3, 2006
62,500	1.00	August 8, 2006
262,153	0.92	November 9, 2006
125,000	0.92	January 5, 2007
2,200,000	0.22	June 24, 2007

10. PRODUCT DEVELOPMENT COSTS

The Company continues to develop and market an educational software called Quizam. These are the related costs.

**Form 51-102F1
Management's Discussion & Analysis (MD & A)**

Date of Information

1.1 August 31, 2005

Overall Performance

1.2 Compared to First Quarter results over the last 2 years the Net Loss is much improved when one considers that more than \$70,000 of expenses has gone to Quizam Software Development. Revenues have diminished on the Service Training side as the company continues to steer away from business that is not profitable.

Selected Annual Information

1.3	2005	2004	
2003	3 Months-Ended	3 Months-Ended	3 Months-
Ended	August 31	August 31	
August 31			
a) Net Sales 200,358	50,704	103,849	
b) Net Income (Loss) (185,289)	(196,389)	(205,250)	
c) Net Income (Loss) (185,289)	(196,389)	(205,250)	
d) Total Assets 223,631	92,374	149,923	
e) Long-Term Liability 559,287	326,058	526,148	
f) Cash Dividends 0	0	0	

Canadian G.A.A.P. has been employed in all accounting transactions.

Results of Operations

- 1.4 The company continues to streamline. It has reduced expenses over the quarter by more than 125,000. There has been much reduction in areas such as legal, wages and rents. The management is continuing to focus on core business which yields 56% + gross margin. As the chart below illustrates in the "Loss before other items" profitability increased by roughly \$80,000 for the same period last year.

Summary of Quarterly Results

- 1.5 Summary of quarterly results (8 quarterly results required).

Description	3 Months ended Aug-31 2005	Year ended May-31 2005	9 Months ended Feb-28 2005	6 Months ended Nov-30 2004	3 Months ended Aug-31 2004	Year ended May-31 2004	9 Months ended Feb-29 2004	6 Months ended Nov-30 2003	3 Months ended Aug-31 2003
Net Sales	50,704	687,173	350,493	220,767	103,849	690,554	530,172	366,821	200,358
Income or (loss) before other items	(124,584)	(228,988)	(550,755)	(380,194)	(205,251)	(909,185)	(656,803)	(407,784)	(186,019)
Net Income or (loss) for the period	(196,389)	(666,440)	(414,209)	(201,982)	(205,250)	(917,425)	(658,126)	(406,996)	(185,288)
Shares Issued	4,572,187	2,240,187	6,621,746	5,871,746	2,250,119	19,175,367	17,670,288	15,681,288	13,099,878
Per Share	(.04)	(.29)	(.06)	(.03)	(.09)	(.05)	(.04)	(.03)	(.01)

On May 18, 2005 the shares were rolled back at a ratio of 4:1.

Liquidity

- 1.6 The company's liquidity (relationship between quick current assets and quick current liabilities) is has now become positive.

Quick current ratio 2005	August 2005	May
Cash in the Bank	(4,032)	
71,134		
Accounts Receivable & Prepaid Expenses	40,390	
75,640		
Account Payable & Accrued Liabilities	43,014	
83,048		
Long Term Debt	326,058	
450,968		

As at August 31st, 2005 the Company has working capital of approximately \$ 36,358 maintaining almost a 1:1 ratio of Current Assets to Current liabilities. The company is continuing to reduce its Long Term Debt as well.

Capital Resources

- 1.7 Interim management discussion moved towards plans for capital expenditures in Software Deveopment and DVD production. These would of course require the purchase or capital lease of equipment.

Off-Balance Sheet Arrangements

- 1.8 The following events occurred subsequent to August 31, 2005:

On October 7th, 2005 365,000 shares were issued through a unit private placement priced at \$0.40. Each unit came with a 2 year warrant priced at \$0.50. In addition there were 24,750 shares issued for finder's fees.

Transactions with Related Parties

- 1.9 In addition to related party transactions disclosed elsewhere in these notes, the following transactions occurred:
- a) Quizam Media and On-Track outsource several services to the staff of a company owned by a significant shareholder. These services include management, accounting, TSX administration, legal fees, filing fees, press releases, transportation, telephone, overseas business development and other office expenses. From June 2005 to August 2005, a total of \$72,500 was paid for said services.
 - b) Secured loan from significant shareholder bearing 12% had a balance owing as at August 31, 2005 of \$211,987

Proposed Transactions

- 1.11 Continue to focus on growth and profitability. The main strategies in the process include:
- a) Maintain control of gross margins on the service side of the business and continue to push forward on development of Intellectual Property that is scalable.

- b) Expand the industrial arm of On-Track to produce industrial/promotional DVD's
- c) Move to Stage II of Quizam deployment in North America and the UK

Changes in Accounting Policies including Initial Adoption

- 1.13 Although no accounting policies will change to conflict with Canadian G.A.A.P. There are plans afoot to change the chart of accounts to provide management with better tools (ie. allocate expenses to a cost of services section to cater to a margin and provide an operating profit prior to fixed expenses).