

**Amended and Restated**

**QUIZAM MEDIA CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**

**August 31, 2007**

NOTICE TO READER

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended August 31, 2007.

**Amended and Restated**

**QUIZAM MEDIA CORPORATION**  
**CONSOLIDATED BALANCE SHEET**  
(Unaudited - Prepared by Management)

	Aug-07	May-07
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and term deposits	318,228	491,243
Accounts receivable	745,602	761,833
Prepaid expenses and deposits	8,997	10,925
Goods and Services tax recoverable	24,357	12,601
	1,097,183	1,276,602
Property, plant and equipment (Note 3)	40,442	43,813
	1,137,625	1,320,415
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	52,367	87,088
Current portion of obligation under capital leases	-	13,633
Current portion on debt settlement (Note 5)	19,600	28,000
	71,967	128,721
<b>Long Term Debt</b>		
Due to a related party (Note 11)	70,528	397,598
	142,495	526,319
<b>SHAREHOLDERS' DEFICIT</b>		
<b>Shareholders' deficiency</b>		
Capital stock (Note 6)	6,322,802	5,763,790
Contributed Surplus (Note 7)	37,512	18,564
Deficit	(5,365,184)	(4,988,258)
	995,130	794,096
	1,137,625	1,320,415

**(See accompanying notes to the financial statements)**

**APPROVED ON BEHALF OF THE BOARD: \_**

**“Russ Rossi” \_\_\_\_\_ Director**

**“Jim Rosevear” \_\_\_\_\_ Director**

## Amended and Restated

**QUIZAM MEDIA CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**1st QTR ENDED AUGUST 31**  
(Unaudited - Prepared by Management)

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUES</b>		
Training services and software sales	87,752	55,536
Software Licensing	-	231,198
	<u>87,752</u>	<u>286,734</u>
<b>EXPENSES</b>		
Accounting and legal	44,500	23,795
Advertising and promotion	5,300	3,527
Amortization	7,501	6,189
Automobile	4,840	4,647
Bank charges and interest	2,141	3,497
Management fees	18,000	18,000
Office and miscellaneous	24,387	9,755
Regulatory fees	9,471	5,637
Rents	30,804	28,960
Subcontractors	697	5,313
Telephone	5,510	4,598
Travel and entertainment	35,170	4,298
Wages and benefits	115,639	37,413
Stock option benefits	23,212	-
	<u>327,173</u>	<u>155,628</u>
<b>Income (Loss) before other items</b>	(239,421)	131,106
<b>OTHER ITEMS</b>		
Interest income	755	169
Training expenses	(35,500)	-
Investment Expense	(18,300)	-
Product development costs (Note 9)	(84,460)	(125,914)
<b>Net Income (Loss) for the quarter</b>	(376,926)	5,361
<b>Deficit, beginning of quarter</b>	<u>4,988,258</u>	<u>4,415,363</u>
<b>Deficit, end of quarter</b>	5,365,184	4,410,002
<b>Basic and diluted weighted average loss per share</b>	<b>(0.026)</b>	<b>0.006</b>
<b>Weighted average number of shares</b>	<b>14,586,051</b>	<b>10,654,002</b>

(See accompanying notes to the financial statements)

## Amended and Restated

**QUIZAM MEDIA CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**1st QUARTER ENDED AUGUST 31**  
(Unaudited - Prepared by Management)

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net Income (loss) for quarter	(376,926)	5,361
Items not affecting cash:		
Amortization	7,501	6,189
Stock option benefit	23,212	-
	(346,213)	11,550
Changes in non-cash working capital items:		
Decrease (Increase) in accounts receivable	16,231	(233,371)
Decrease (Increase) in prepaid expenses and deposits	1,928	590
Decrease (Increase) in goods and services tax recoverable	(11,756)	4,903
(Decrease) Increase in accounts payable and accrued liabilities	(34,721)	(16,119)
Net cash used in operating activities	(374,531)	(232,447)
<b>FINANCING ACTIVITIES</b>		
Repayments to related parties	(327,070)	(27,593)
Capital lease obligations	(13,633)	(3,408)
Issuance of capital stock	554,749	82,350
Payments towards debt settlement	(8,400)	(8,400)
	205,646	42,949
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(4,130)	(11,552)
<b>INCREASE (DECREASE) IN CASH</b>	(173,015)	(201,050)
<b>CASH Beginning of period</b>	491,243	309,744
<b>CASH ending of period</b>	318,228	108,693

**Supplemental disclosures with respect to cash flows (Note 14)**  
(See accompanying notes to the financial statements)

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED AUGUST 31, 2007**  
(Unaudited – Prepared by Management)

### 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 a computer based educational programme.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, assuming 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 has had a history of significant losses, sizeable accumulated deficits and limited working capital. The Company’s ability to continue as a going concern may therefore be dependent on completing equity financing, obtaining support from related parties or generating consistent profitable operations in the future.

Information on the Company’s working capital and deficit is:

	\$ 2007	\$ 2006
Working capital	1,147,881	247,141
Deficit	(4,988,258)	(4,415,363)

## **2. SIGNIFICANT ACCOUNTING POLICIES**

These interim financial statements follow the same accounting policy and methods of their application as the audited financial statements for the fiscal year-end May 31, 2007. There are no policy or method changes except the application of CICA Handbook Section 1530 – comprehensive income.

### **QUIZAM MEDIA CORPORATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED AUGUST 31, 2007 (Unaudited – Prepared by Management)**

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)...**

**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.

**Foreign currency translation**

Assets and liabilities of integrated foreign subsidiary operations and foreign currency denominated assets and liabilities of Canadian operations are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses are converted at the average exchange rate for the reporting period. Gains or losses on translation are included in operations.

**Cash and cash equivalents**

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at the date of acquisition, that are readily convertible to known amounts of cash.

**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
Library	5 years

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED AUGUST 31, 2007**  
(Unaudited – Prepared by Management)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)...**

The Company reviews the carrying values of its property, plant and equipment whenever events or changes in circumstances indicate their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

**Asset Retirement obligation**

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. To date, the Company has not incurred any asset retirement obligations.

**Revenue recognition**

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

License fees are recorded in the accounts when all conditions have been met under the license agreement and the licensee is satisfied with the operations of the software.

**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. Under the fair value method, compensation costs, equal to the fair value of the options on the date of grant, are recorded, with an offsetting credit to contributed surplus. Consideration received upon exercise of the stock options, is recorded as share capital and the contributed surplus related to the recognized fair value of the options exercised is transferred to share capital.

**Loss per share**

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. 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

**QUIZAM MEDIA CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDED AUGUST 31, 2007**

(Unaudited – Prepared by Management)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)...**

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 the years presented.

**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 it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Accounting changes**

The Canadian Institute of Chartered Accountants (“CICA”) issued two new accounting standards: Handbook Section 1530, Comprehensive Income and Handbook Section 3855, Financial Instruments - Recognition and Measurement. These sections are effective for fiscal years beginning on or after October 1, 2006. These new standards require certain financial assets and liabilities to be measured at fair value and establish a new measure of income, comprehensive income, to represent the change in net assets other than changes attributable to transactions with the Company’s shareholders. The Company is evaluating the impact of these new accounting standards on its consolidated financial statements.

**Financial Instruments**

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. It is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments other than a currency risk for amounts denominated in US dollars.(\$750,000; 2007 - \$750,000).

Unless otherwise noted, due to their current maturities, fair values approximate carrying values for these financial instruments. The fair value of due from related parties was not practical to determine.

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED AUGUST 31, 2007**  
(Unaudited – Prepared by Management)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)...**

**Comprehensive income**

The Company has adopted section 1530 of CICA Handbook relating to comprehensive income. However, during this period, there is no reportable comprehensive income.

**Comparative figures**

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

**3. PROPERTY, PLANT AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2008 NBV</b>
	\$	\$	\$
Automobile – capital lease	64,052	54,444	9,608
Computer Hardware	293,843	265,377	28,466
Furniture and fixtures	68,959	68,632	327
Library	2,721	680	2,041
	429,575	389,133	40,442
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2007 NBV</b>
	\$	\$	\$
Automobile - capital lease	64,052	51,242	12,810
Computer Hardware	268,722	261,458	28,255
Furniture and fixtures	68,959	68,388	571
Library	2,721	544	2,177
	425,445	381,632	43,813

On May 31, 2003, the Company acquired an automobile under a capital lease primarily for the benefit of a significant shareholder who is a director and the president of the Company. The final portion of the lease payment in the amount of 13,635 has paid in June, 2007.

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED AUGUST 31, 2007**  
(Unaudited – Prepared by Management)

**4. LINE OF CREDIT**

As at May 31, 2007 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, and as at the year end the amount of the line of credit used is \$NIL.

**5. DEBT SETTLEMENT**

During the year 2004, 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 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, ending March 31, 2008.

**6. CAPITAL STOCK**

	<b>Number of Shares</b>	<b>\$</b>
<hr/>		
<b>Authorized</b> – 100,000,000 common shares without par value		
<b>Issued</b> –		
<hr/>		
Balance at May 31, 2003	13,099,878	1,516,594
Balance at May 31, 2005	8,960,746	3,036,084
<hr/>		
<b>Balance post consolidation on May 31, 2005 @ 4 to 1</b>	<b>2,240,187</b>	<b>3,036,084</b>
For cash - Issued by private placement	4,057,500	926,000
For cash, - Exercise of warrants	1,672,912	535,361
For cash - Exercise of options	102,000	52,200
Issued as finders' fees	184,934	-
Finder's fee paid	-	(10,230)
 <b>Balance at May 31, 2006</b>	 <b>8,237,533</b>	 <b>4,539,415</b>

**Amended and Restated**

For cash - Issued by private placement	520,385	338,251
For cash - Exercise of options	265,500	201,147
For cash - Exercise of warrants	1,509,891	564,862
Finders' fees	43,000	
Vested stock options exercised		120,115
<b>Balance at May 31, 2007</b>	<b>10,596,309</b>	<b>5,763,790</b>

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED AUGUST 31, 2007**  
(Unaudited – Prepared by Management)

**6. CAPITAL STOCK (continued)**

For cash – Exercise of options	189,000	95,500
For cash – Exercise of warrants	994,521	459,149
Vested stock options exercised		4,264

**Balance at August 31, 2007** **11,779,830**  
**6,322,703**  
**Escrow**

As at May 31, 2007, 64,089 common shares of the Company are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory body having jurisdiction thereon. The common shares held in escrow will be released over three and six year periods.

**Stock options**

As at August 31, 2007, Stock options outstanding and exercisable are summarized as follows:

	<b>2007</b>	<b>2007</b>
	<b>Number of</b>	<b>Exercise</b>
	<b>Options</b>	<b>Price</b>
	<b>#</b>	<b>\$</b>
- Expiring May 23, 2008	110,000	1.20
- Expiring May 23, 2008	65,000	1.30
- Expiring November 9, 2008	15,000	0.60
Balance, August 31, 2007	190,000	n/a

Weighted average fair value of options granted	n/a	1.19
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**Stock-based compensation**

The compensation expense relating to the options granted been accounted for under the Black-Scholes pricing model representing fair value.

**QUIZAM MEDIA CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED AUGUST 31, 2007  
(Unaudited – Prepared by Management)**

**6. CAPITAL STOCK (continued)**

The assumptions used in calculating fair values are as follows:

	2007	2006
Risk-free interest rate	3.9% to 4.56%	3.8% to 4.5%
Expected life of options	1-2 years	1 year
Expected volatility	50% to 100%	100%
Expected dividend yield	0.0%	0.0%

**Warrants**

At August 31, 2007, warrants outstanding for the purchase of common shares were:

Number Of Shares 2007	Exercise Price \$	Expiry Date
287,000	0.50	October 7, 2007
166,923	0.90 to July 8/07 or 1.30 to January 8/08	January 8, 2008 January 8, 2008

**7. CONTRIBUTED SURPLUS**

	\$
Balance, May 31, 2007	18564
Stock options vested	23212

Stock options exercised	(4264)
Balance, August 31, 2007	37512

## 8. SEGMENTED INFORMATION

### a) Training Services & Software Sales for 3 months ended August 31, 2007

1) Revenue	87,752
2) Expenses	(205,863)
3) Profit (loss)	(118,111)

## QUIZAM MEDIA CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE QUARTER ENDED AUGUST 31, 2007

(Unaudited – Prepared by Management)

## 8. SEGMENTED INFORMATION (continued)...

### b) Software Licensing for 3 months ended August 31, 2007

1) Revenue	-
2) Expenses	258,815
3) Profit (loss)	(258,815)

## 9. LICENSE FEES

On August 31, 2006 the Company entered into an agreement with an African company for territorial distribution license for the Quizam educational software. The license fee was USD\$250,000, payable 90 days after translation of the program into Afrikaans. In addition, Quizam will receive 25% of gross profit, represented by sales less direct costs, from revenues generated in South Africa.

On November 30, 2006 the Company sold a territorial distribution license for the Gulf States of Qatar, Kuwait, Oman, Bahrain, Saudi Arabia and the United Arab Emirates. The license fee was USD\$500,000, payable 90 days after translation of the program into Arabic. In addition, Quizam will receive 25% of all revenues generated in the Gulf States.

As at May 31, 2007 the Company met all conditions of these licences and recorded the revenue, and the related accounts receivable, from these licences of \$735,000.

**10. PRODUCT DEVELOPMENT COSTS**

During the current year, the Company concentrated its efforts on the development and marketing of the Quizam educational software. This activity has resulted in a second version of the educational software, which has also been adapted for compatibility with the Mac platform format. The software has been actively promoted in the United Kingdom and various world markets.

The costs associated with development of the Quizam educational software, which are included in the statement of operations and deficit, are as follows:

**QUIZAM MEDIA CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED AUGUST 31, 2007  
(Unaudited – Prepared by Management)**

**10. PRODUCT DEVELOPMENT COSTS (continued)...**

	\$
Salary, wages and fees (management, programming and marketing)	
62,983	
Materials	53
Marketing	
18,361	
Advertising and promotion	
3,063	
	84,460

**11. RELATED PARTY TRANSACTIONS**

The following are related party transactions incurred in the normal course of operations:

The Company owes \$70,528 to a significant shareholder, who is also a director and officer. The loan is secured by the assets of the Company, bears interest at 12% per annum and is without fixed terms of repayment.

Related party transactions not otherwise disclosed elsewhere in these financial statements were:

Management, administration and accounting services are provided by a company owned by a significant shareholder.. \$189,904 was paid for these services during this quarter. \$16,792 was paid during this quarter to a company owned by a relative to one of the directors for marketing and consulting.

Significant shareholders were paid \$1,101 in interest on loans to the Company.

The related party transactions are measured at cost based upon the actual billed values by the related corporation for services and supplies provided. The loans provided by the related party are based on historical values of actual amounts received, in monetary values.

Interest is based upon a predetermined rate and calculated as a percentage of the remaining outstanding balance.

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED AUGUST 31, 2007**  
(Unaudited – Prepared by Management)

**12. CAPITAL DISCLOSURE**

The Company's capital currently consists of common shares, options and warrants. As the Company is in the development stage, its major source of funds is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to meet the Company's educational software development and internet training development to ensure the growth of activities.

**13. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivable, marketable securities, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency of credit of risks arising from these financial instruments.

**Risk management**

The Company's largest asset is its software licensing receivable in U.S. dollars. The Company could accordingly be at risk for foreign currency fluctuations and developing legal environment.

**14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	2007	2006
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Significant non-cash transactions during the three months period ended August 31, 2007 included:

The Company allocated \$4,264 for stock options exercised during the period to capital stock from contributed surplus.

**QUIZAM MEDIA CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED AUGUST 31, 2007  
(Unaudited – Prepared by Management)**

**15. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Aug-07
	\$
Statutory tax	34.1%

**Amended and Restated**

Loss for period	376,926
Expected income tax recovery	128,532
Non-deductible expenses and other items for income tax purposes	(2,650)
Unrecognized benefit of non-capital losses	(125,882)
Total income taxes	-

The significant components of the Company's future income taxes assets are as follows:

	Aug-07
	\$
Future income tax assets (liabilities)	525
Non-capital loss carry forward	(1,738,812)
	(1,738,287)
Valuation allowance	(1,738,287)
<hr/>	
Net future income tax assets	-
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**Form 51-102F1**  
**Management's Discussion & Analysis (MD & A)**

**Date of Information**

1.1 [September 26, 2008](#)

**Overall Performance and Results of Operations:**

1.2 Net sales for the 1<sup>st</sup> Quarter are down compared to the same period last year only because we didn't sell a global license in the period. General revenue from Training and individual software sales are up however. The summer months tend to be a little slower as many educational institutions share summer holidays.

It is worthy to note that the company has been able to penetrate many new schools and districts in the USA. In addition to over 30 US schools piloting the Quizam software, Kenwood School District in California has agreed to collaborate with Quizam in order to make the software more attractive to California students.

One of the challenges Quizam faces is related to the vast differences in curriculum between geographical areas. For instance Grade 7 Social Studies in Portland Oregon is different from Grade 7 Social Studies in Vancouver BC. To this end the company is developing a stream lined method for user-defined quizzes and user-shares quizzes. This will allow users from any area to create or modify quizzes as required. We feel that will be one of the important differentiators of the software.

It should be worthy to note that in addition to offering quiz software the company is now beginning to offer "learning" or "teaching" software on-line over the Internet. The company is preparing to offer some of its curriculum on its Web Portal called [www.ontracktv.com](http://www.ontracktv.com)

Although the company did not sign any global licenses for this quarter there was steady revenue improvement in training and software. The software team spent the summer on significant software enhancements including multi-language and teacher-assistant modules. As well, the development team is transferring all of the company's content over to the Internet on [www.ontracktv.com](http://www.ontracktv.com). Compared to the same period last quarter we have

## **Amended and Restated**

spent less money on Quizam development because the Quizam software is functioning. The company has seen an increase in Training Expenses as we increase resources focused on On-TrackTV development. As well, compared to the same period last year we have increased Wages and Benefits as we have more team members. These additional team members are spread evenly over sales, admin and educational consulting.

Training and Software Sales are up roughly 32,000 over the same quarter last year. This is a result of our continued quality control and increased customer base. Our return business is strong and our internet presence ranking is increasing thanks to some improvements and modifications to our web site.

Compared to the same period last year most costs have remained constant with the exception of:

**Accounting and legal** is roughly 20,000 higher due to increased demands on public reporting and revamping of our accounting systems to increase efficiency and expedite our yearly audits.

**Office and Misc.** has increased roughly 15,000 due to increased business which causes increases in manuals, paper products.

**Regulatory fees** have increased by roughly 4,000 due to increased fees charged to the company.

**Subcontractors Fees** have decreased by roughly 4500 as the Company has moved away from Subcontractors and is using full time staff.

**Travel and Entertainment** has increased by approximately 30,000 as the company has participated in several trade shows around the world.

**Wages and Benefits** have increased by roughly 78,000 as more staff has been added to the team to meet the increased demand for business.

In management's opinion the market trends are positive. The Canadian economy seems strong and management feels that its Revenues described above will continue to increase faster than the above described expenses.

## **Summary of Quarterly Results**

## Amended and Restated

### 1.5 For the Quarters Ended

Description	Aug 31 2007	May 31 2007	Feb 28 2007	Nov 30 2006	Aug 31 2006	May 31 2006	Feb 28 2006	Nov 30 2005
Net Sales	87752	129514	336231	306137	286734	69152	82971	48725
Income or (loss) before other items	( 239,421)	( 211,723)	70612	105973	131106	( 82,087)	( 98,696)	( 119,598)
Net Income or (loss) for the period	( 376,926)	( 409,229)	( 188,234)	19207	5361	( 294,129)	( 218,386)	( 197,147)
Shares Issued	11636830	10596309	10298181	8934266	8406533	8257533	7069665	4954437
Per Share	(0.03)	(0.04)	(0.02)	0.002	0.001	(0.04)	(0.03)	(0.04)

No Quizam Global Licences were sold during the last 2 quarters. The lower revenue in this last quarter (1<sup>st</sup> quarter) is mostly due to a slow summer season. Over the last 8 quarters the significant jumps in revenue can be attributed to the Quizam Territory Licences. The company sold territory licences in the quarters ending Feb'07/ Nov '06/ Aug '06 . Notwithstanding the Territory Licenses the company continues to see increases in quarterly revenue from education and training. We have been working diligently with the current Licensees to get their programs up and running.

### Liquidity and Capital Resources

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

Quick current ratio	August 2007	May 2007
Cash in the Bank	318,228	491,243
Accounts Receivable & Prepaid Expenses	778,956	785,359
Account Payable & Accrued Liabilities	71,967	128,721
Long Term Debt	70,528	397,598

As at August 31<sup>st</sup>, 2007 the Company has working capital of approximately 1 million \$'s. This is a 14:1 positive ratio of Current Assets to Current liabilities. The company is continuing to reduce its Long Term Debt as well.

Over the past quarter the company has incurred losses as it continues to develop its software products. Though revenues are increasing the company continues to be dependant on its cash reserves and future financings. In addition to the Quizam software the development of OnTracktv will require expenditures.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when require, the Company may be required to delay or scale back its software development and

## Amended and Restated

marketing. Any equity offerings will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Currently the Company has sufficient funds to meet its requirements for the coming year however it will continue to improve its cash positions by focusing on increasing sales, improving profitability and equity financings.

## Subsequent Events

1.8 The following events occurred subsequent to August 31, 2007:

- In September and October of 2007 several more school signed deals to Pilot Quizam.
- In October of 2007 Quizam sold a non-exclusive license to a Congo Group for \$10,000.

## Transactions with Related Parties

1.9 The Following transactions took place with a related party.  
:

a) Quizam Media and On-Track outsource several services to the staff of Blueskyview Software Corp., a company owned by a significant shareholder named Russ Rossi. From June 2007 to August 2007, a total of \$186,395 was paid for the following services.

Management Fees	18,000.00
Accounting/Audit	44,500.00
TSX Administration	6,800.00
Advertising Campaign	4,200.00
Press Releases	500.00
Training Expenses	35,500.00
Transportation	5,800.00
Software Development	62,500.00
Office Expenses	8,594.93

b) A secured loan from Russ Rossi, a significant shareholder, bearing 12% had a balance owing as at August 31, 2006 of \$70,528.

c) The related party transactions are measured at cost based upon the actual billed values by the related corporation for services and supplies provided. The loans provided by the related party are based on historical values of actual amounts received, in monetary values.

## Proposed Transactions

.11 Continue to focus on growth and profitability. The main strategies in the process include:

## Amended and Restated

- a) Maintain control over expenses with a disciplined focus on overall profitability.
- b) Continue to grow the Quizam Business Model as follows:
  - 1) Licenses to Schools and Institutions
  - 2) Corporate Licenses sold direct to User from Web Site
  - 3) Regional Licenses to Partners that can manage the regional Content and Marketing
  - 4) Sell directly to parents and students using Infomercials and "Affiliate Selling"
- c) Build the Content Library for both Quizam and On-Track On-Line
- d) Grow the On-Line Vignette component of the On-Track business model know as On-Track TV
- e) Expand the On-Track TV model to include education training other than computers
- f) Explore strategies to improve "Web Awareness" of our Quizam and Ontracktv product line.

### Financial Instruments

Financial instruments included cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments other than:

- a) Licence Fee Receivable for South Africa and Gulf states (\$750,000 USD)
- b) a currency risk for amounts denominated in US dollars. (\$750,000; 2007 - \$750,000)

It is management's opinion that that above noted credit risk will have no impact on the liquidity of the company.

### Changes in Accounting Policies

#### 1.13 Change in Accounting Policies

Effective June 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 Financial Instruments – Recognition and Measurement and Section 1530 – "Comprehensive Income".

Section 3855 provides guidance on when a financial instrument must be recognized on the balance sheet and how it is to be measured. It also provides guidance on the presentation of gains and losses on financial instruments.

Section 1530 requires an entity to recognize certain unrealized gains and losses in "other comprehensive income", an account included in unit holders' equity, until such gains and losses are realized and then recognized in net earnings, and requires the introduction of a statement of comprehensive income.

Accordingly, the adoption of this standard has not had an impact on the financial statements of the Company, either as a transitional adjustment or in the reporting of current year's balance. Prior year's financial statements have not been restated for the adoption of this new accounting policy.

#### Future Accounting Changes:

## Amended and Restated

### Financial Instruments – Presentation and Disclosure

The CICA has issued two new accounting standards 3862 Financial Instruments – Disclosures, and Section 3863 Financial Instruments Presentation. These sections will replace section 3861 Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The mandatory effective date is for fiscal years beginning on or after October 1, 2007. This new requirement is for disclosure only and will not impact the financial results of the Company.

### Additional Information

Additional information about the company is available on SEDAR (Website: [www.sedar.com](http://www.sedar.com))

### Outstanding Share Data

The following table summarizes the outstanding share capital as of the date of the MD & A:

	<b>Number of shares Issued or issuable</b>
Common shares	12,771,360
Stock options available	98,000
Warrants	500,000