

QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2009 AND 2008



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Quizam Media Corporation

We have audited the consolidated balance sheets of Quizam Media Corporation as at May 31, 2009 and 2008 and the consolidated statements of operations and comprehensive loss and deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

September 10, 2009

QUIZAM MEDIA CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT MAY 31, 2009 AND 2008

	2009	2008
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	208,602	68,877
Short-term investments	–	70,404
Accounts receivable	7,768	54,174
Prepaid expenses and deposits	12,114	9,546
Goods and services tax recoverable	5,531	7,381
Loans receivable (Note 14)	–	10,176
	234,015	220,558
Equipment (Note 5)	19,131	37,982
Deferred share issuance costs	2,438	–
	255,584	258,540
LIABILITIES		
Current		
Accounts payable and accrued liabilities	57,350	89,418
Deferred revenue	7,507	6,567
Due to a related party (Note 13)	117,970	123,211
	182,827	219,196
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	8,220,403	7,218,221
Contributed Surplus (Note 10)	353,153	307,907
Common Shares Subscribed (Note 17)	225,500	–
Deficit	(8,726,299)	(7,486,784)
	72,757	39,344
	255,584	258,540

Nature of Operations and Continuance of Business [Note 1]
Commitment [Note 16]
Subsequent Events [Note 17]

APPROVED ON BEHALF OF THE BOARD:

/s/ "Russ Rossi"

Russ Rossi, Director

/s/ "Jim Rosevear"

Jim Rosevear, Director

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT****FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

	2009	2008
	\$	\$
REVENUES		
Training services and software sales	519,626	459,150
EXPENSES		
Accounting and legal	153,229	132,045
Advertising and promotion	37,094	78,622
Amortization	20,272	33,583
Automobile	23,940	24,784
Bank charges and interest	3,802	3,618
Interest on related party debt	8,004	6,716
Management fees	72,000	72,000
Office and miscellaneous	60,909	75,630
On-Track TV development costs (Note 12)	218,518	76,049
Software development costs (Note 12)	269,855	514,705
Regulatory fees	24,709	28,768
Rents	186,215	151,920
Subcontractors	83,931	26,519
Telephone	24,484	21,304
Travel and business development	156,457	139,427
Investor and finance development	24,909	34,925
Trade shows	34,329	20,398
Wages and benefits	278,771	313,609
Stock based compensation (Note 8)	70,821	71,145
	1,752,249	1,825,767
LOSS BEFORE OTHER ITEMS	(1,232,623)	(1,366,617)
OTHER ITEMS		
Interest income	3,284	6,838
Write-off of loan receivable (Note 14)	(10,176)	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(1,239,515)	(1,359,779)
DEFICIT, BEGINNING OF YEAR	(7,486,784)	(6,127,005)
DEFICIT, END OF YEAR	(8,726,299)	(7,486,784)
WEIGHTED AVERAGE LOSS PER SHARE BASIC AND DILUTED	(0.09)	(0.11)
WEIGHTED AVERAGE NUMBER OF SHARES	14,196,397	12,189,172

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED MAY 31, 2009 AND 2008**

	2009 \$	2008 \$
OPERATING ACTIVITIES		
Net loss for the year	(1,239,515)	(1,359,779)
Items not affecting cash:		
Amortization	20,272	33,583
Stock based compensation	70,821	71,145
Write-off of loan receivable	10,176	-
	(1,138,246)	(1,255,051)
Changes in non-cash working capital items:		
Accounts receivable	46,406	(6,606)
Prepaid expenses and deposits	(2,568)	1,379
Goods and services tax recoverable	1,850	5,220
Accounts payable and accrued liabilities	(32,068)	2,330
Deferred revenue	940	6,567
CASH USED IN OPERATING ACTIVITIES	(1,123,686)	(1,246,161)
FINANCING ACTIVITIES		
Repayments to related parties	(5,241)	(274,387)
Payment of capital lease obligations	-	(13,633)
Issuance of share capital, net	976,607	1,248,147
Payments towards debt settlement	-	(28,000)
Proceeds received from common shares subscribed	225,500	-
Deferred share issuance costs	(2,438)	-
CASH PROVIDED BY FINANCING ACTIVITIES	1,194,428	932,127
INVESTING ACTIVITIES		
Loans receivable	-	(10,176)
Redemption (purchase) of short term investments	70,404	49,596
Acquisition of equipment	(1,421)	(27,752)
CASH USED IN INVESTING ACTIVITIES	68,983	11,668
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	139,725	(302,366)
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	68,877	371,243
CASH AND CASH EQUIVALENTS – ENDING OF THE YEAR	208,602	68,877
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Issuance of shares for finders' fees	82,432	38,507
SUPPLEMENTAL INFORMATION		
Interest paid	8,004	6,716
Income tax paid	-	-

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

**QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008**

1. NATURE AND CONTINUANCE OF OPERATIONS

Quizam 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. 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.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective June 1, 2008, the Company adopted the following standards of the Canadian Institute of Chartered Accountants' ("CICA") Handbook:

(a) Inventories (Section 3031)

Section 3031 which introduces changes to the measurement and disclosure of inventory and converges with international financial reporting standards and is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard did not have any material impact on the Company's financial statements.

(b) Capital Disclosures (Section 1535)

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management strategy have been included in note 3(n).

(c) Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (section 3863)

Section 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosures and Presentation", revising its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008

2. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in note 3(o).

(d) General Standards of Financial Statement Presentation (Section 1400)

The Company adopted the CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", to provide revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. The adoption of this standard did not have any significant impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiary, On-Track. All inter-company transactions and balances have been eliminated upon consolidation.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to revenue recognition, the valuation allowance for future income tax assets and stock-based compensation.

(c) Foreign currency translation

Foreign currency denominated assets and liabilities of 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.

(d) 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.

(e) Short-term investments

Short-term investments consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase. Short-term investments are recorded at the lower of cost plus accrued interest or fair market value.

(f) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives at the following annual rates:

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 YEARS END MAY 31, 2009 AND 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(h) Deferred share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issuance costs related to financing transactions that are not completed are charged to expenses.

(i) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. The effect on future taxes for a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(j) 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.

The Company records revenue from the sale of software when the customers download the software from the Company's website and collection is reasonably assured by direct payment.

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

(k) Stock-based compensation

The Company follows the recommendations in CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which provides standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. In accordance with these recommendations, stock options granted are recorded at their fair value over the vesting period as a compensation cost with a corresponding increase in contributed surplus. Agents' warrants issued in connection with common share placements are recorded as share issuance costs with a corresponding increase in contributed surplus. When the options and warrants are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation.

(l) Income (loss) per share

Basic income (loss) per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted income (loss) per share.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income (loss) per share (continued)

The existence of warrants and options affects the calculation of income (loss) per share on a fully diluted basis. As the effect of this dilution is to increase the reported income per share and reduce the reported loss per share and diluted loss per share excludes all potential common shares if their effect is anti-dilutive, basic and diluted loss are the same.

(m) Development costs

Costs related to the enhancement of internally developed software are charged to operations as incurred until technological feasibility in the form of a working model has been established. The time period between the establishment of technological feasibility and completion of product development is expected to be short, therefore the Company has not capitalized any product development costs during the period.

(n) Capital management

The Company's objectives when managing capital are to safeguard the Company's 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, to maintain creditworthiness and maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is from the issuance of common shares. The Company includes the components of shareholders' equity in its management of capital.

As at May 31, 2009, the Company had capital resources consisting of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash. The Company's investment policy is to invest its cash in investment instruments with high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing due to the current difficult market conditions. The Company will require additional equity financing to carry its operations through its current operating period.

(o) Financial instruments and risk

Financial Instruments

As at May 31, 2009, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and due to related parties. The fair values of these financial instruments approximate their carrying values due to the short-term maturity of the instruments.

The Company classifies its cash and cash equivalents as held-for-trading, accounts receivable as loans and receivables, and its accounts payable and amounts due to related parties as other financial liabilities.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The risk arises from the non-performance of counterparties of contractual financial obligations. To minimize the credit risk of cash the Company places cash with high credit quality financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts. To minimize the credit risk of accounts receivable the Company performs credit valuations on a regular basis. The financial statements take into account any requirement for an allowance for bad debts.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial instruments and risk (continued)

Liquidity Risk

The Company's approach to managing liquidity risk is to provide reasonable assurance that it has sufficient capital to meet short-term financial obligations after taking into account its cash equivalents on hand. The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits. The Company will require additional equity financing to meet its administrative overhead costs and software development expenditures in fiscal 2010.

Market Risk

Market risks consist of interest rate risk, foreign exchange risk and other price risk. It is management's opinion that the Company is not exposed to significant market risk.

Commodity Price Risk

It is management's opinion that the Company is not exposed to significant commodity price risk.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that have been announced but are not yet effective are as follows:

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on the financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on the financial statements.

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and is effective for interim and annual periods relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008

5. EQUIPMENT

	Cost	Accumulated Amortization	May 31, 2009 Net Book Value	May 31, 2008 Net Book Value
	\$	\$	\$	\$
Computer hardware	318,604	300,801	17,803	36,350
Furniture and fixtures	69,241	69,001	240	–
Library	2,721	1,633	1,088	1,632
	<u>390,566</u>	<u>371,435</u>	<u>19,131</u>	<u>37,982</u>

6. LINE OF CREDIT

As at May 31, 2009, 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.

7. SHARE CAPITAL

	Number of Shares	\$
Balance at May 31, 2007	10,596,309	5,834,633
For cash - Issued by private placement	500,000	425,000
For cash - Exercise of options	216,307	120,499
For cash - Exercise of warrants	1,358,444	702,648
Issued as finders' fees	45,302	38,507
Share issuance costs	–	(38,507)
Fair value of stock options exercised transferred from contributed surplus	–	135,441
Balance at May 31, 2008	12,716,362	7,218,221
For cash - Issued by private placement	4,979,999	940,000
For cash - Exercise of options	55,000	44,000
Issued as finders' fees	461,100	82,432
Share issuance costs	–	(89,825)
Fair value of stock options exercised transferred from contributed surplus	–	25,575
Balance at May 31, 2009	<u>18,212,461</u>	<u>8,220,403</u>

For the year ended May 31, 2009:

- (a) In August, 2008, the Company completed a non-brokered private placement consisting of 480,000 units at \$0.75 per unit for proceeds of \$360,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$1.00 for the first six months and \$1.65 for the second six-month period expiring on August 18, 2009. In connection with the private placement, the Company issued 36,667 shares as finders' fees with a fair value of \$27,500 and incurred an additional \$2,718 in cash share issuance costs.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008

7. SHARE CAPITAL (continued)

- (b) In February, 2009, the Company completed a non-brokered private placement consisting of 2,499,999 units at \$0.12 per unit for proceeds of \$300,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.30 for the first year and \$0.50 for the second year expiring on January 26, 2011. In connection with the private placement, the Company issued 224,433 shares as finders' fees with a fair value of \$26,932 and incurred an additional \$2,385 in cash share issuance costs.
- (c) In May, 2009, the Company completed a non-brokered private placement consisting of 2,000,000 units at 0.14 per unit for proceeds of \$280,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.45 for the first six months and \$0.65 for the second six-month period expiring on April 23, 2010. In connection with the private placement, the Company issued 200,000 shares as finders' fees with a fair value of \$28,000 and incurred an additional \$2,290 in cash share issuance costs.
- (d) In the current year, 55,000 options were exercised at \$0.80 for proceeds of \$44,000. The fair value, when granted, of \$25,575 was transferred to share capital from contributed surplus to reflect the exercise of these options.

For the year ended May 31, 2008:

- (a) On March 11, 2008, the Company completed a non-brokered private placement consisting of 500,000 units at \$0.85 per unit for proceeds of \$425,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$1.10 for the first six months and \$1.75 for the second six-month period, expiring on March 11, 2009. In connection with the private placement, the Company issued 45,302 shares as finders' fees with a fair value of \$38,507 and recorded as share issuance costs.
- (b) In the current year, 216,307 options were exercised at prices ranging from \$0.50 to \$1.30 per share for proceeds of \$120,499. The fair value, when granted, of \$135,441 was transferred to share capital from contributed surplus to reflect the exercise of these options.
- (c) In the current year, 1,358,444 warrants were exercised at prices ranging from \$0.22 to \$1.30 per share for proceeds of \$702,648.

Escrow

At May 31, 2009, there were no shares remaining in escrow.

8. STOCK OPTIONS

Stock option plan and stock options issued

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Share Option Plan (the "Plan"). Under the Plan, the option price must not be less than the closing price of the common shares of the Company on the TSX Venture Exchange ("TSX") on the day immediately preceding the date of grant less the applicable discount if any. The Company is a "Tier 2" TSX company therefore any option granted under the Plan must be exercised within a period of two years from the date of granting.

The number of options that may be issued under the plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

Options vest immediately. Vesting restrictions may also be applied to certain other options grants, at the discretion of the directors.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008

8. STOCK OPTIONS (continued)

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted Average Exercise Price \$
Outstanding, May 31, 2007	439,000	0.86
Granted	153,000	0.80
Exercised	(216,307)	0.56
Cancelled/expired	(228,693)	1.15
Outstanding, May 31, 2008	147,000	0.80
Exercised	(55,000)	0.80
Cancelled/expired	(107,000)	0.72
Granted	772,500	0.24
Outstanding, May 31, 2009	757,500	0.25

The fair value for stock options granted was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	May 31, 2009	May 31, 2008
Risk free interest rate	0.93%	3.8%
Expected life (in years)	1.51	1
Expected volatility	118%	106%
Dividend yield	0%	0%

Total stock-based compensation expense recognized for stock options granted during the year was \$70,821 (2008 - \$71,145) and was charged to operations for options granted to directors, officers and consultants of the Company.

The weighted average grant date fair value of options granted during the year was \$0.09 (2008 - \$0.47) per option.

The weighted average remaining contractual life of the stock options outstanding as at May 31, 2009 is 1.25 years.

9. SHARE PURCHASE WARRANTS

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of shares	Weighted Average Exercise Price \$
Balance, May 31, 2007	1,448,444	0.52
Issued with private placements	500,000	1.10
Exercised	(1,358,444)	0.49
Expired	(90,000)	1.30
Balance, May 31, 2008	500,000	0.30
Issued with private placements	4,979,999	0.43
Balance, May 31, 2009	5,479,999	0.42

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008

9. SHARE PURCHASE WARRANTS (continued)

On March 6, 2009, the Company announced that it has lowered the price and extended the expiry date of the 500,000 warrants issued from the March 2008 financing. Originally, these warrants expired March 11, 2009 and had a strike price of \$1.10 for the first six months and \$1.75 for the second six-month period. The revised expiry date is December 31, 2009 and the new exercise price has been reduced to \$0.30.

At May 31, 2009, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
500,000	\$0.30 from March 11, 2009 to December 31, 2009	December 31, 2009
480,000	\$1.00 to Feb 17, 2009 or \$1.65 to Aug 18, 2009	August 18, 2009
2,499,999	\$0.30 to Jan 25, 2010 or \$0.50 to Jan 26, 2011	January 26, 2011
2,000,000	\$0.45 to Oct 22, 2009 or \$0.65 to Apr 23, 2010	April 23, 2010

10. CONTRIBUTED SURPLUS

The following table summarizes the continuity of the Company's contributed surplus:

	Amount \$
Balance, May 31, 2007	372,203
Fair value of stock options granted	71,145
Fair value of stock options exercised and transferred to share capital	(135,441)
Balance, May 31, 2008	307,907
Fair value of stock options exercised and transferred to share capital	(25,575)
Fair value of stock options granted	70,821
Balance, May 31, 2009	353,153

11. SEGMENTED INFORMATION

(a) Training Services for the years ended May 31:

	2009	2008
Revenue	517,531	459,150
Expenses	(1,058,251)	(871,932)
Profit (loss)	(540,720)	(412,782)

(b) Software Sales and Licensing for the years ended May 31:

	2009	2008
Revenue	2,095	—
Expenses	(700,890)	(946,997)
Profit (loss)	(698,795)	(946,997)

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008

12. PRODUCT DEVELOPMENT COSTS

(a) On-Track TV

During the current period, the Company has finished a complete set of on-line curriculum for its training division called On-Track TV.

The costs associated with development of the On-Track TV, which are included in the statement of operations, and comprehensive loss and deficit, for the years ending May 31, 2009 and 2008 are as follows:

	2009	2008
	\$	\$
Salary, wages and fees (management, programming and marketing)	169,297	76,049
Materials	2,721	-
Marketing	7,231	-
Advertising and promotion	39,269	-
	<hr/>	<hr/>
	218,518	76,049

(b) Quizam software

During the current period, the Company continued to concentrate its efforts on the development and marketing of the Quizam educational software. This activity has resulted in a third version of the educational software, which has also been adapted for compatibility with the Mac platform format.

The costs associated with development of the Quizam educational software, which are included in the statement of operations, and comprehensive loss and deficit, for the years ending May 31, 2009 and 2008 are as follows:

	2009	2008
	\$	\$
Salary, wages and fees (management, programming and marketing)	217,225	417,073
Materials	4,993	6,334
Marketing	2,712	68,718
Advertising and promotion	44,925	22,580
	<hr/>	<hr/>
	269,855	514,705

13. RELATED PARTY TRANSACTIONS

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

The Company owes \$117,970 (May 31, 2008 - \$123,211) 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 due upon demand.

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

(a) Management, administration, accounting and software development are provided by a company owned by a significant shareholder. An amount of \$447,905 (2008 - \$506,700) was paid for these services during the year.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008

13. RELATED PARTY TRANSACTIONS (continued)

- (b) Marketing and publicity fees totalling \$23,476 (2008 - \$26,400) were paid to a company owned by a relative of one of the directors.
- (c) Marketing and publicity fees totalling \$63,474 (2008 - \$56,680) were paid to relatives of one of the directors.
- (d) A significant shareholder was paid \$8,004 (2008 - \$6,716) in interest on loans to the Company.

These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to non-related entities.

14. LOANS RECEIVABLE

The Company has developed a program where it shares marketing and sales expenses with its licensees. Any monies advanced to licensees will take the form of an interest bearing loan and must be paid back to the Company. During fiscal 2008 the Company advanced £5,000 pounds (CDN \$10,176) to the UK Licensee. The loans bear an interest rate of 4% annually.

In fiscal 2009, the loan was written off as the collectability of the loan was uncertain.

15. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2009 \$	2008 \$
Canadian statutory income tax rate	30.59%	33.03%
Net loss before tax per financial statements	(1,239,515)	(1,359,779)
Income tax recoverable at statutory rates	379,122	449,161
Permanent differences	1,274	(15,044)
Change in enacted rates	(41,412)	(79,133)
Increase in valuation allowance	(185,328)	(246,306)
Expiry of losses	(153,656)	(108,678)
Income tax recoverable	-	-

The tax effects of temporary differences that give rise to significant portions of the future tax liability are as follows:

	2009 \$	2008 \$
Future effective tax rate	25.00%	25.00%
Future income tax assets (liabilities)		
Non-capital losses carried forward	1,761,812	1,596,194
Property and equipment	19,226	14,158
Share issuance costs	26,536	11,894
Valuation allowance	(1,807,574)	(1,622,246)
Net future income tax assets	-	-

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS END MAY 31, 2009 AND 2008

15. INCOME TAXES (continued)

The Company has approximately \$7,047,000 (2008 – \$6,384,000) of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2010	992,000
2014	913,000
2015	662,000
2026	909,000
2027	1,151,000
2028	1,255,000
2029	1,165,000
	<hr/>
	7,047,000

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

16. COMMITMENT

The Company has signed an office lease through to October 2010 and is committed to the following minimum lease payments during the next two fiscal years under the lease for its premises:

	\$
2010	108,648
2011	46,267

17. SUBSEQUENT EVENTS

- (a) The 500,000 warrants repriced at \$0.30, as described in note 9, were subject to an expiration clause (“the clause”). The clause stated that if the Company’s shares traded above 30 cents or greater for a period of 10 consecutive trading days the warrants would expire if not exercised by the warrant holders within 30 days. The 500,000 warrants expired on June 4th, 2009.
- (b) In June 2009, the Company completed a non-brokered private placement consisting of 1,500,000 units at \$0.21 per unit for proceeds of \$315,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.45 for the first six months and \$0.65 for the second six-month period expiring on June 5, 2010. In connection with the private placement, the Company received \$225,500 in share subscriptions and recorded \$2,438 as deferred share issuance costs as at May 31, 2009, and issued 107,381 shares as finders’ fees with a fair value of \$22,550 subsequent to year end.
- (c) On June 24, 2009, the Company granted 50,000 stock options to a consultant which are exercisable at \$0.20 per share until June 24, 2010.

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

Internal Controls and Procedures over Financial Reporting

The company's management is responsible for establishing and maintaining controls over financial reporting. The internal controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. The internal controls have an inherent weakness in that the accounting team is small and the work area is non-segregated. At this time it is not practical or cost efficient to increase the area or team.

The CEO and CFO continually review and oversee the accounting team to ensure reasonable controls and processes. They reconsidered their assessment of internal control financial reporting as of May 31, 2008, and concluded that, due to the inaccurate recording of foreign exchange, stock-based compensation, and the assessment of the collectability of certain receivables, there was a material weakness in internal control over preparation of financial reporting as of May 31, 2007.

Notwithstanding the above, in July 2008 the BCSC identified several reporting deficiencies on the part of the company. Management admits that there were deficiencies. We feel that future filings will be fully compliant and that the controls in place will give reasonable assurance that relevant and reliable financial information is available for reporting and for the preparation of financial statement in accordance with GAAP based on the following:

1) The review process with the BCSC has high-lighted the deficient areas. In future, in addition to a more stringent internal review of our disclosures we will pay additional attention to the areas that the BCSC identified as deficient.

Since July 2008, our controls have been more stringent. We have attempted to implement controls that will prevent the inaccurate recording of foreign exchange and we have been making conservative assessments regarding the collectability of our receivables.

Forward-Looking Information

This MD&A contains "forward-looking information" that is based on management's expectations, estimates and projections as of the date of this MD&A. Forward looking information in this MD&A can frequently be identified as incorporating such words as "plans", "becomes", "expects", "estimates", "forecasts", "intends", "anticipates", "believes", "may", "could", "would", "might" or "will". This forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by the forward looking information in this MD&A. Actual results may vary materially from the forward looking information contained in this MD&A.

The forward-looking information contained in this MD&A is based on the information available as of the date of this MD&A and we have no intention of updating them except as required by applicable securities law. Numerous events and circumstances could occur subsequent to the date of this MD&A that could cause the actual results, performance or achievements that may be expressed or implied by the forward-looking information

Forward-looking statements are included in sections 1.2, 1.3, 1.5, 1.6, 1.7, and 1.11. Examples of such forward looking information included in this MD&A include, but are not limited to, trends in the marketplace favoring both Quizam's products; the demand for Corporate Computer training being fueled by the increased reliance on computers in the workplace; the demand for Academic Quizzing software increasing as the academic world becomes more and more competitive; parental/family demand for such a study tool will be significant; the trend of parents purchasing aids to improve children's test scores continuing; growing use of the internet helping to improve the awareness and consequent demand for the Quizam product; demand for Quizam's products increasing; the global increased use of cell phones and internet, together with an increased appreciation for education and training giving the company excellent strategic positioning; all future global License sales will be in Canadian dollars; 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; the company will continue to improve its cash positions by focusing on increasing sales, improving profitability and equity financings; broadening of On-TrackTV; increasing our On-TrackTV sales team; significant parental/family demand for study tools; inventory increasing in value; management anticipates more Country Licenses coming on board in the coming quarters.

All of the above forward looking statements are subject to significant risks and uncertainties. Certain material risk factors, that could cause actual results to differ materially from the forward-looking information contained in this MD&A include, but is not limited to changes in of the actions of competitors; fluctuations of exchange rates; the trading level of the company's stock; the continued availability of financing on appropriate terms for future projects; the continued increase of commercial run rates; and a decline in market liquidity. Events and circumstances that occurred during the year ended May 31, 2009, which are reasonably likely to cause actual results to differ materially are the increased volatility of the global economy which could prevent the company from improving its cash position, improving profitability, increasing Country Licenses or completing necessary financings; decreased usage of the internet, cell phones, and PDA's which could decrease demand for Academic Quizzing software and Quizam's products; the inability to hire appropriate staff and the results of product development activities could prevent further revisions to the software and the development of new products.

The recent downturn of the global economy has increased equity and market volatility and represents a significant risk factor that could cause actual results to differ from forward looking statements. Until the global economy improves the forward looking statements and information included in the MD&A are even more uncertain.

1.1 Date of Information

September 25, 2009

1.2 Overall Performance

Overall, the economic downturn made it a challenging year for most small cap companies, ours included. The economic downturn had a negative effect on the company's share price. It also decreased demand for our products as many large corporations attempted to decrease expenses.

The company still experienced an increase in revenues over the previous year. Management feels that without the global recession, the increase would have been greater. Until the onset of the recession in September 2008 the company was seeing an increase in both demand and revenues. After the onset of the global recession demand for the company's products decreased. Demand remained low until spring 2009 and management responded by reducing our advertising, marketing and staffing budgets. These responses helped the company through the economic downturn.

It appears that trends in the marketplace are favoring both of Quizam's products. The demand for Corporate Computer training is being fueled by the increased reliance on computers in the workplace coupled with the continued releases of new products from software producers like MicroSoft. The demand for Academic Quizing software is increasing as the academic world becomes more and more competitive. The company is discovering that parents are eager to purchase any aids available that might help their children score higher in school.

We see this trend continuing as preliminary test market advertising to parents of school children has shown positive results. Our training division continues to improve its performance and management feels we are gaining more market share every quarter.

We are pleased with the introduction of On-TrackTV as it has received a great deal of attention in Canada and the United Kingdom. Our North American site is www.ontracktv.com and our United Kingdom site is www.ontracktv.co.uk. On-TrackTV distributes on-line information technology learning over the internet. The business model is based on self-service through a website with residual subscriptions.

Quizam signed an exclusive agreement for the sale and distribution of ontrackTV.com into the UK market under the name ontrackTV.co.uk. The ontrackTV.co.uk library of online learning videos is sold via annual subscriptions to those seeking to learn about common software packages. Users can learn how to use program like Microsoft Excel, Microsoft Word, Microsoft PowerPoint, Adobe InDesign, Adobe Dreamweaver, amongst many others with educational videos.

Until now On-TrackTV has focused on information technology computer training, however, due to client demands and custom training requests we are now expanding the curriculum to include soft skill training for corporations. The new training might include such topics as Customer Service, Corporate Compliance, and Conflict Resolution in the Workplace.

The company has two teams familiar with both markets working in Canada and the United Kingdom. In addition, increased demand for On-TrackTV has resulted in reassigning some of the Quizam Software team to keep up with demand. As a result, Quizam Software development and sales efforts have become secondary to On-TrackTV. Once management is sure that the world is recovering from the recession they plan to restore the Quizam Software sales team.

We are also adding administrative components to On-TrackTV which will broaden our corporate appeal. We are looking at broadening On-TrackTV to include other broadcasts such as CEO messages, compliance issues, and other customized corporate communication requirements for clients. We plan to increase our On-TrackTV corporate sales team and to sell the product to Fortune 500 companies.

Management feels that the growing use of the internet will help to improve the awareness and consequent demand for the Quizam product.

Management sees the demand for Quizam's products increasing. The global increased use of cell phones and internet, together with an increased appreciation for education and training will give the company excellent strategic positioning.

The company is continuing to add quizzes to its internet library. Many of the topics are classic and timeless. As this library continues to grow it becomes a valuable asset to the company. The company is exploring ways of accelerating the growth of this library either through corporate purchases of content or perhaps a "community" sharing model where quizzes can be added by global users. In either case management sees this inventory increasing in value as time goes on.

During the year ended May 31, 2009, the company's working capital and cash positions increased. For the year ended May 31, 2009, the company also decreased its net loss from the year ended May 31, 2008.

1.3 Selected Annual Information

	Year-Ended May 31, 2009 \$	Year-Ended May 31, 2008 \$	Year-Ended May 31, 2007 \$
a) Net Sales	519,626	459,150	1,195,526
b) Net Income (Loss) before other items	(1,232,623)	(1,366,617)	(578,190)
c) Net Income (Loss)	(1,239,515)	(1,359,779)	(1,373,273)
d) Total Assets	255,584	258,540	606,150
e) Long-Term Liability	0	0	0
f) Cash Dividends	0	0	0

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

Revenue decreased in 2008 from 2007 mostly due to the write off of global licenses. Revenues increased during the year ended May 31, 2009, as a result of increased radio advertising and the launch of OnTrack-TV. We have a good knowledgeable team of instructors that keep our clients coming back and increase our referral rate. Our expenses in 2007 and 2008 were similar. In 2009 we reduced advertising and staffing to cope with the global financial crisis. Our sales still increased in 2009 mostly due to strong first and second quarter results before the melt down. An increase in revenue and reduced expenses afforded the company an increase in profit.

Total assets decreased during the year ended May 31, 2008, mainly due to a decrease in cash and short-term investments at the year end.

1.4 Results of Operations

Revenue for the year ended May 31, 2009 increased to \$519,626 from \$459,150. Revenue increased due to increased radio advertising and the successful launch of On-TrackTV. Operating expenses decreased to \$1,232,623 (2008 - \$1,366,617) during the year ended May 31, 2009. This decrease in operating expenses is mainly due to a general streamlining of operations. This also resulted in a decrease in net loss of \$120,264 from \$1,359,779 during the year ended May 31, 2009.

The significant changes were as follows:

- Advertising and promotion decreased by \$41,528 to \$37,094 for the year ended May 31, 2009 (2008 - \$78,622).
- Amortization was reduced to \$20,272 for year ended May 31, 2009 (2008 - \$33,583). The reduction of amortization was due to some of the company's assets being fully amortized as of May 31, 2008.
- Office and Miscellaneous expenses was reduced by 24% to \$60,909 for the year ended May 31, 2009 (2008 - \$75,630). This was due to the continued streamlining of office systems and the restructuring of photo-copying equipment to save on manual production and photo-copying.
- On-TrackTV costs increased to \$218,518 for the year ended May 31, 2009 (2008 - \$76,049). This is a result of increased development of the new On-Line Learning component of On-Track. Much of the technology was developed from scratch and is owned by the company. This will save the company money in the future as no royalties will be paid to third parties.
- Quizam software development costs were reduced to \$269,855 for the year ended May 31, 2009 (2008- \$514,705). Much of Quizam's major development is complete and less work was required.
- Rent is increased to \$186,215 for the year ended May 31, 2009 (2008 - \$151,920). This is result of the temporary space leased for On-Track TV production.
- Subcontractor costs increased significantly to \$83,931 during the year ended May 31, 2009 (2008 - \$26,519) due to increased use of sub-contractors. In 2008 we introduced new programs requiring outside sub-contractors. We only hire sub-contractors when the revenue is profitable and guaranteed. The cost of the sub-contractor is always built into the price of the job.

- Telephone and internet costs increased to \$24,484 (2008 - \$21,304) for the year ended May 31, 2009 due to increased long distance calls to our global partners and increased internet access from new customers downloading products.
- Travel and business development increased to \$156,457 (2008 -\$139,427) during the year ended May 31, 2009. This is a result of promoting Quizam and On-TrackTV at the BETT show to open up the market in U.K.
- Wages and benefits have decreased slightly to \$278,771 during the year ended May 31, 2009 (2008 – \$313,609). This decrease was due to the reduction of staff.
- Stock based compensation was \$70,821 for the year ended May 31, 2009 compared to \$71,145 as the fair value of the company’s stock options was less than the prior year.

The company’s cash position has increased during the year ended May 31, 2009, due to an increase in revenue, a decrease in expenses and the completion of a private placement prior to the year end. The amount of accounts receivable has decreased from May 31, 2008 to May 31, 2009. Our training division continues to improve its performance and management feels we are gaining more market share every quarter.

1.5 Summary of Quarterly Results

The effect of applying the treasury stock method to the company’s loss per share calculation is antidilutive. Therefore basic and diluted losses per share are equal for the periods presented. For the quarters ended:

Description	May 31, 2009	February 28, 2009	November 30, 2008	August 31, 2008	May 31, 2008	February 29, 2008 Restated	November 30, 2007 Restated	August 31, 2007
Net Sales	75,843	97,157	162,940	183,686	143,499	97,509	130,390	87,752
Income or (loss) before other items	(372,582)	(347,825)	(291,319)	(220,897)	(332,836)	(348,153)	(307,947)	(377,681)
Net Income or (loss) for the period	(381,870)	(347,524)	(289,975)	(220,146)	(329,869)	(347,882)	(305,102)	(376,926)
Net income (Loss) before other items per share basic and diluted	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)
Income (Loss) per share basic and diluted	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)

Loss before other items and net loss increased during the quarter ended May 31, 2009, from the last quarter ended February 28, 2009, due to the increase in professional fees, investor/finance relations, On-Track development costs, stock-based compensation, and also as a result of a decrease in net sales due to the current economic environment.

Over the last 8 quarters the significant changes in revenue can be attributed to the Quizam Territory Licenses. No global licenses were sold during the last quarter ending May 31,

2007 or during the year ended May 31, 2008. Other than variations that can be attributed to the territory licenses, revenues were fairly constant until the onset of the global recession in September 2008. This caused a decrease in revenues during every subsequent quarter after that.

1.6 Liquidity and Capital Resources

The company's liquidity has increased from May 31, 2009 to May 31, 2008.

	May 31, 2009	May 31, 2008
Cash in the Bank	208,602	68,877
Short-term investments	-	70,404
Accounts & Loans Receivable & Prepaid Expenses	25,413	81,277
Due to a related party	117,970	123,211

As at May 31, 2009, the company had cash of \$208,602 and working capital of \$51,188, compared to cash of \$68,877 and working capital of \$1,362 at May 31, 2008. The Company's increase in cash and working capital is attributable to increased revenues, a streamlining of operations and the completion of a private placement during the last quarter of fiscal 2009.

In June 2009, the Company completed a non-brokered private placement consisting of 1,500,000 units at \$0.21 per unit for proceeds of \$315,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.45 for the first six months and \$0.65 for the second six-month period expiring on June 5, 2010. In connection with the private placement, the Company received \$225,500 in share subscriptions and recorded \$2,438 as deferred share issuance costs as at May 31, 2009, and issued 107,381 shares as finders' fees with a fair value of \$22,550 subsequent to year end.

During the year ended May 31, 2009 the Company used \$1,123,686 of cash for operating activities. The company has financed its operations for the last two years mainly through the issuance of share capital. The company has raised \$1,202,107 and \$1,248,147 through the issuance and subscription of share capital during the years ended May 31, 2009 and 2008, respectively. The Company also repaid \$5,241 from related parties during the year ended May 31, 2009 and repaid \$274,387 during the year ended May 31, 2008.

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.

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 required, the company may be required to delay or scale back its software development and 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.

1.7 Capital Resources

The company's only capital commitment is an office lease through October 2010. The minimum lease payments over the remaining lease term are \$108,648 and \$46,267 for fiscal 2010 and 2011 respectively.

1.9 Transactions with Related Parties

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

The Company owes \$117,970 (May 31, 2008 - \$123,211) 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 due upon demand.

Related party transactions include:

- a) Management, administration, accounting and software development are provided by a company owned by a significant shareholder. \$447,905 (2008 - \$506,700) was paid for these services during this year.
- b) Marketing and publicity fees totaling \$23,476 (2008 - \$26,400) were paid to a company owned by a relative of one of the directors.
- c) Marketing and publicity fees totaling \$63,474 (2008 - \$56,680) were paid to relatives of one of the directors.
- d) A significant shareholder was paid \$8,004 (2008 - \$6,716) in interest on loans to the Company.

These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to non-related entities.

1.10 Fourth Quarter

The 4th Quarter revenue was \$75,843. This is weaker than the preceding 4th Quarter due to global economic conditions. The company's large corporate and government clients decreased expenditures as a result of the economic conditions and decreased budgets. Management believes that the global market was the main reason for a weak fourth quarter.

1.11 Proposed Transactions

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

- a) Maintain control over expenses with a disciplined focus on overall profitability.
- b) Continue to develop On-trackTV market in UK and North America
- c) Expand the On-trackTV offering to include learning vignettes other than IT.
- d) Add quizzing component to On-trackTV where users are quizzed after viewing content.

Begin to offer customized learning to corporations thereby getting revenue for both development and subscriptions.

Re-Deploy the Quizam Business Model as follows:

- a) Licenses to Schools and Institutions
- b) Selling directly on the web
- c) Develop Quizam community where quizzes can be easily shared

1.12 Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to revenue recognition, the valuation allowance for future income tax assets and stock-based compensation.

1.13 Changes in Accounting Policies

Recently Adopted Accounting Policies

Effective June 1, 2008, the Company adopted the following standards of the Canadian Institute of Chartered Accountants' ("CICA") Handbook:

Inventories (Section 3031)

Section 3031 which introduces changes to the measurement and disclosure of inventory and converges with international financial reporting standards and is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard did not have any material impact on the Company's financial statements.

Capital Disclosures (Section 1535)

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures for managing capital; (ii) quantitative data about what the entity regards as capital; (iii)

whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management strategy have been included in the financial statements.

Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (section 3863)

Section 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosures and Presentation", revising its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in the financial statements.

General Standards of Financial Statement Presentation (Section 1400)

The Company adopted the CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", to provide revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. The adoption of this standard did not have any significant impact on the Company's financial statements.

Future Accounting Changes:

Recent accounting pronouncements that have been announced but are not yet effective are as follows:

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on the financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on the financial statements.

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and

Intangible Assets”, and Section 3450, “Research and Development Costs”. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and is effective for interim and annual periods relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company’s financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

1.14 Financial Instruments

As at May 31, 2009, the Company’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and due to related parties. The fair values of these financial instruments approximate their carrying values due to the short-term maturity of the instruments.

The Company classifies its cash and cash equivalents as held-for-trading, accounts receivable as loans and receivables, and its accounts payable and amounts due to related parties as other financial liabilities.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The risk arises from the non-performance of counterparties of contractual financial obligations. To minimize the credit risk of cash the Company places cash with high credit quality financial institutions. The Company’s current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts. To minimize the credit risk of accounts receivable the Company performs credit valuations on a regular basis. The financial statements take into account any requirement for an allowance for bad debts.

Liquidity Risk

The Company’s approach to managing liquidity risk is to provide reasonable assurance that it has sufficient capital to meet short-term financial obligations after taking into account its cash equivalents on hand. The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company’s financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits. The Company will require additional equity financing to meet its administrative overhead costs and software development expenditures in fiscal 2010.

Market Risk

Market risks consist of interest rate risk, foreign exchange risk and other price risk. It is management's opinion that the Company is not exposed to significant market risk.

Commodity Price Risk

It is management's opinion that the Company is not exposed to significant commodity price risk.

1.15 Additional Information

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

Outstanding Share Data

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

	Number of shares Issued or issuable
Common shares	19,819,842
Stock options available	807,500
Warrants	6,479,999

Subsequent Events

The following events occurred subsequent to May 31, 2009:

The 500,000 warrants repriced at \$0.30, as described in note 9, were subject to an expiration clause ("the clause"). The clause stated that if the Company's shares traded above 30 cents or greater for a period of 10 consecutive trading days the warrants would expire if not exercised by the warrant holders within 30 days. The 500,000 warrants expired on June 4, 2009.

In June 2009, the Company completed a non-brokered private placement consisting of 1,500,000 units at \$0.21 per unit for proceeds of \$315,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.45 for the first six months and \$0.65 for the second six-month period expiring on June 5, 2010. In connection with the private placement, the Company received \$225,500 in share subscriptions and recorded \$2,438 as deferred share issuance costs as at May 31, 2009, and issued 107,381 shares as finders' fees with a fair value of \$22,550 subsequent to year end.

On June 24, 2009, the Company granted 50,000 stock options to a consultant which are exercisable at \$0.20 per share until June 24, 2010.