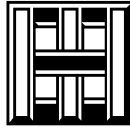


**QUIZAM MEDIA CORPORATION**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**

**August 31, 2009**



MANNING ELLIOTT  
CHARTERED ACCOUNTANTS

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**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 interim consolidated financial statements for the period ended August 31, 2009.**

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**QUIZAM MEDIA CORPORATION****CONSOLIDATED BALANCE SHEETS**(Unaudited – Prepared by Management)

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|  | As at<br>August 31<br>2009<br>\$ | As at<br>May 31<br>2009<br>\$ |
|--|----------------------------------|-------------------------------|
| <b>ASSETS</b>                            |                                  |                               |
| Current                                  |                                  |                               |
| Cash and cash equivalents                | 38,289                           | 208,602                       |
| Accounts receivable                      | 23,453                           | 7,768                         |
| Prepaid expenses and deposits            | 9,843                            | 12,114                        |
| Goods and services tax recoverable       | 6,164                            | 5,531                         |
|  | <hr/> 77,749                     | <hr/> 234,015                 |
| Equipment (Note 5)                       | 17,924                           | 19,131                        |
| Deferred share issuance costs            | –                                | 2,438                         |
|  | <hr/> 95,673                     | <hr/> 255,584                 |
| <b>LIABILITIES</b>                       |                                  |                               |
| Current                                  |                                  |                               |
| Accounts payable and accrued liabilities | 50,351                           | 57,350                        |
| Deferred revenue                         | –                                | 7,507                         |
| Due to a related party (Note 13)         | 101,829                          | 117,970                       |
|  | <hr/> 152,180                    | <hr/> 182,827                 |
| <b>SHAREHOLDERS' EQUITY</b>              |                                  |                               |
| Share capital (Note 7)                   | 8,535,503                        | 8,220,403                     |
| Contributed Surplus (Note 10)            | 353,153                          | 353,153                       |
| Common Shares Subscribed (Note 7)        | –                                | 225,500                       |
| Deficit                                  | (8,945,163)                      | (8,726,299)                   |
|  | <hr/> (56,507)                   | <hr/> 72,757                  |
|  | <hr/> 95,673                     | <hr/> 255,584                 |

Nature of Operations and Continuance of Business [Note 1]

Commitment [Note 15]

Subsequent Events [Note 16]

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

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**QUIZAM MEDIA CORPORATION****INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT****FOR THE THREE MONTHS ENDED AUGUST 31**

(Unaudited – Prepared by Management)

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|  | As at<br>August 31<br>2009<br>\$ | As at<br>August 31<br>2008<br>\$ |
|--|----------------------------------|----------------------------------|
| <b>REVENUES</b>  |                                  |                                  |
| Training services and software sales                     | 103,125                          | 183,686                          |
| <b>EXPENSES</b>  |                                  |                                  |
| Accounting and legal                                     | 37,600                           | 42,079                           |
| Advertising and promotion                                | 360                              | 17,514                           |
| Amortization   | 3,812                            | 6,036                            |
| Automobile   | 7,664                            | 4,968                            |
| Bank charges and interest                                | 765                              | 834                              |
| Interest on related party debt                           | 2,776                            | 1,349                            |
| Management fees  | 18,000                           | 18,000                           |
| Office and miscellaneous                                 | 10,378                           | 13,391                           |
| On-Track TV development costs (Note 12)                  | 53,295                           | 52,066                           |
| Software development costs (Note 12)                     | 38,854                           | 69,514                           |
| Regulatory fees  | 10,537                           | 7,381                            |
| Rents  | 46,280                           | 45,276                           |
| Subcontractors   | 8,699                            | 23,338                           |
| Telephone  | 4,889                            | 7,039                            |
| Travel and business development                          | 20,320                           | 6,610                            |
| Investor and finance development                         | 9,175                            | 613                              |
| Wages and benefits                                       | 49,142                           | 88,575                           |
|  | 322,546                          | 404,583                          |
| <b>LOSS BEFORE OTHER ITEMS</b>                           | (219,421)                        | (220,897)                        |
| <b>OTHER ITEMS</b>                                       |                                  |                                  |
| Interest income  | 557                              | 751                              |
| <b>NET LOSS FOR THE QUARTER</b>                          | (218,864)                        | (220,146)                        |
| <b>DEFICIT, BEGINNING OF QUARTER</b>                     | (8,726,299)                      | (7,486,784)                      |
| <b>DEFICIT, END OF QUARTER</b>                           | (8,945,163)                      | (7,706,930)                      |
| <b>WEIGHTED AVERAGE LOSS PER SHARE BASIC AND DILUTED</b> | (0.011)                          | (0.017)                          |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES</b>                 | 19,784,612                       | 13,172,401                       |

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

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**QUIZAM MEDIA CORPORATION****INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****THREE MONTHS ENDED AUGUST 31**(Unaudited – Prepared by Management)

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|   | As at<br>August 31<br>2009<br>\$ | As at<br>August 31<br>2008<br>\$ |
|---|----------------------------------|----------------------------------|
| <b>OPERATING ACTIVITIES</b>                                     |                                  |                                  |
| Net loss for the quarter  | (218,864)                        | (220,146)                        |
| Items not affecting cash:                                       |                                  |                                  |
| Amortization  | 3,812                            | 6,036                            |
| Stock based compensation  |                                  |                                  |
|   | (215,052)                        | (214,110)                        |
| Changes in non-cash working capital items:                      |                                  |                                  |
| Decrease (Increase) in accounts receivable                      | (15,685)                         | 22,746                           |
| Decrease (Increase) in prepaid expenses and deposits            | 2,271                            | 3,044                            |
| Decrease (Increase) in goods and services tax recoverable       | (633)                            | 3,309                            |
| (Decrease) Increase in accounts payable and accrued liabilities | (6,999)                          | 11,640                           |
| (Decrease) Increase in deferred revenue                         | (7,507)                          | (6,567)                          |
| <b>CASH USED IN OPERATING ACTIVITIES</b>                        | (243,605)                        | (179,938)                        |
| <b>FINANCING ACTIVITIES</b>                                     |                                  |                                  |
| Repayments to related parties                                   | (16,141)                         | (92,733)                         |
| Issuance of share capital, net                                  | 89,600                           | 404,000                          |
| Deferred share issuance costs                                   | 2,438                            | –                                |
| <b>CASH PROVIDED BY FINANCING ACTIVITIES</b>                    | 75,897                           | 311,267                          |
| <b>INVESTING ACTIVITIES</b>                                     |                                  |                                  |
| Redemption (purchase) of short term investments                 | –                                | (29,596)                         |
| Acquisition of equipment  | (2,605)                          | (1,421)                          |
| <b>CASH USED IN INVESTING ACTIVITIES</b>                        | (2,605)                          | (31,017)                         |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>         | (170,313)                        | 100,312                          |
| <b>CASH AND CASH EQUIVALENTS – BEGINNING OF THE QUARTER</b>     | 208,602                          | 68,877                           |
| <b>CASH AND CASH EQUIVALENTS – ENDING OF THE QUARTER</b>        | 38,289                           | 169,189                          |
| <b>NON-CASH FINANCING AND INVESTING ACTIVITIES</b>              |                                  |                                  |
| Issuance of shares for finders' fees                            | 22,550                           | 27,500                           |
| <b>SUPPLEMENTAL INFORMATION</b>                                 |                                  |                                  |
| Interest paid   | 2,776                            | 1,349                            |
| Income tax paid   | –                                | –                                |

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

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

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, 2009, the Company adopted the following standards of the Canadian Institute of Chartered Accountants’ (“CICA”) Handbook:

(a) Goodwill and Intangible Assets (Section 3064)

Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible. The adoption of this standard did not have any material impact on the Company’s financial statements.

(b) Credit Risk and the Fair Value of Financial Assets and Liabilities (EIC 173)

The AcSB issued EIC-173, which requires the Company to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The standard is required to be applied retrospectively without restatement of prior periods. The adoption of this standard did not have an impact on the valuation of financial assets or liabilities of the Company.

(c) Mining Exploration Costs (EIC 174)

The AcSB issued EIC-174, which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The adoption of this standard did not have any material impact on the Company’s financial statements.

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

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**  
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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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 August 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 August 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

**QUIZAM MEDIA CORPORATION**  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial instruments and risk (continued)

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.

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 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**  
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5. EQUIPMENT

|                        | Cost           | Accumulated<br>Amortization | August 31,<br>2009<br>Net Book<br>Value | May 31,<br>2009<br>Net Book<br>Value |
|------------------------|----------------|-----------------------------|---|--------------------------------------|
|                        | \$             | \$                          | \$                                      | \$                                   |
| Computer hardware      | 321,209        | 304,463                     | 16,746                                  | 17,803                               |
| Furniture and fixtures | 69,241         | 69,015                      | 226                                     | 240                                  |
| Library                | 2,721          | 1,769                       | 952                                     | 1,088                                |
|                        | <u>390,566</u> | <u>371,435</u>              | <u>17,924</u>                           | <u>19,131</u>                        |

6. LINE OF CREDIT

As at August 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 quarter end the amount of the line of credit used is \$NIL.

7. SHARE CAPITAL

|  | Number<br>of Shares | \$               |
|--|---------------------|------------------|
| 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  | 18,212,461          | 8,220,403        |
| For cash - Issued by private placement                                     | 1,500,002           | 315,000          |
| Issued as finders' fees  | 107,381             | 22,550           |
| Share issuance costs   | –                   | (22,550)         |
| Balance at August 31, 2009   | <u>19,819,844</u>   | <u>8,535,403</u> |

**QUIZAM MEDIA CORPORATION**  
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7. SHARE CAPITAL (continued)

- (a) 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 issued 107,381 shares as finders' fees with a fair value of \$22,550 and recorded as share issuance costs.
- (b) 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 recorded as share issuance costs.
- (c) At the quarter ended of August 31, 2009, there were no options exercised.
- (d) At the quarter end of August 31, 2008, 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.

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.

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

|                              | Number<br>of shares | Weighted Average<br>Exercise Price<br>\$ |
|------------------------------|---------------------|--|
| 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                                     |
| Cancelled/expired            | (7,500)             | 0.20                                     |
| Outstanding, August 31, 2009 | 750,000             | 0.25                                     |

**QUIZAM MEDIA CORPORATION**  
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9. SHARE PURCHASE WARRANTS

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

|                                | Number<br>of shares | Weighted<br>Average<br>Exercise<br>Price<br>\$ |
|--------------------------------|---------------------|--|
| 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   |
| Issued with private placements | 1,500,002           | 0.45   |
| Expired                        | (980,000)           | 0.96   |
| Balance, May 31, 2009          | 6,000,001           | 0.34   |

The 500,000 warrants repriced at \$0.30 on March 6, 2009 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<sup>th</sup>, 2009.

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

| Number of Warrants | Exercise Price<br>\$                                | Expiry Date      |
|--------------------|---|------------------|
| 2,499,999          | \$0.30 to Jan 25, 2010 or<br>\$0.50 to Jan 26, 2011 | January 26, 2011 |
| 2,000,000          | \$0.45 to Oct 22, 2009 or<br>\$0.65 to Apr 23, 2010 | April 23, 2010   |
| 1,500,002          | \$0.45 to Dec 4, 2009 or<br>\$0.65 to Jun 5, 2010   | June 5, 2010     |

10. CONTRIBUTED SURPLUS

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

|  | Amount<br>\$ |
|--|--------------|
| 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      |
| Fair value of stock options exercised and transferred to share capital | —            |
| Fair value of stock options granted                                    | —            |
| Balance, August 31, 2009   | 353,153      |

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

11. SEGMENTED INFORMATION

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

|               | 2009      | 2008      |
|---------------|-----------|-----------|
| Revenue       | 103,105   | 183,686   |
| Expenses      | (218,099) | (277,151) |
| Profit (loss) | (114,994) | (93,465)  |

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

|               | 2009      | 2008      |
|---------------|-----------|-----------|
| Revenue       | 20        | –         |
| Expenses      | (103,890) | (111,681) |
| Profit (loss) | (103,870) | (111,681) |

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 three months ended August 31, 2009 and 2008 are as follows:

|  | 2009   | 2008   |
|--|--------|--------|
|  | \$     | \$     |
| Salary, wages and fees (management, programming and marketing) | 52,765 | 31,183 |
| Materials  | 118    | –      |
| Marketing  | 412    | 5,423  |
| Advertising and promotion                                      | –      | 15,460 |
|  | <hr/>  | <hr/>  |
|  | 53,295 | 52,066 |
|  | <hr/>  | <hr/>  |

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

12. PRODUCT DEVELOPMENT COSTS (continued)

(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 three months ended August 31, 2009 and 2008 are as follows:

|  | 2009<br>\$   | 2008<br>\$   |
|--|--------------|--------------|
| Salary, wages and fees (management, programming and marketing) | 36,726       | 63,281       |
| Materials  | 628          | –            |
| Marketing  | 1500         | 2,833        |
| Advertising and promotion                                      | –            | 3,400        |
|  | <hr/> 38,854 | <hr/> 69,514 |

13. RELATED PARTY TRANSACTIONS

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

The Company owes \$101,829 (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 \$118,095 (2008 - \$109,429) was paid for these services during the quarter.

(b) Marketing and publicity fees totalling \$5,238 (2008 - \$1,762) were paid to a company owned by a relative of one of the directors.

(c) Marketing and publicity fees totalling \$16,016 (2008 - \$7,500) were paid to relatives of one of the directors.

(d) A significant shareholder was paid \$2,776 (2008 - \$1,349) 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. CAPITAL DISCLOSURE

The Company's capital currently consists of common shares, options and warrants. As the Company is in the development stage, its principal 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.

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

15. 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:

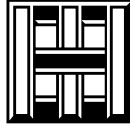
|      |         |
|------|---------|
|      | \$      |
| 2010 | 108,648 |
| 2011 | 46,267  |

16. SUBSEQUENT EVENTS

- (a) On September 4, 2009, the UK Housing Association known as Kingfisher HVHS Housing Association has begun purchasing licenses from ONTRACKTV UK. Kingfisher HVHS Housing Group is the largest housing association in the county of North Hampshire providing services to over 7,000 residents. This agreement is an example showing that there is much interest in the UK for our online training.
- (b) On September 8, 2009, the Company signed a deal with The Medicines and Healthcare products Regulatory Agency Authority (MHRA) in U.K. for 50 license pilot from ONTRACKTV UK. MHRA is an executive agency of the Department of Health and the UK government agency responsible for ensuring that medicines and medical devices work and are acceptably safe. This agreement gives MHRA 50 user licences for a strict period of time whilst funding is put in place for a wider roll out to up to 1,000 staff members. This department will give ONTRACKTV excellent exposure through UK Government agencies.
- (c) On October, 2009, the Company has announced a non-brokered private placement consisting of 4,090,910 units at \$0.11 per unit for proceeds of \$450,000. Each unit will consist of one common share and one share purchase warrant exercisable at a price of \$0.25 for the first six months and \$0.45 for the second six-month period.

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

**August 31, 2009**



MANNING ELLIOTT  
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

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**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 interim consolidated financial statements for the period ended August 31, 2009.**

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**QUIZAM MEDIA CORPORATION****CONSOLIDATED BALANCE SHEETS**(Unaudited – Prepared by Management)

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|  | As at<br>August 31<br>2009<br>\$ | As at<br>May 31<br>2009<br>\$ |
|--|----------------------------------|-------------------------------|
| <b>ASSETS</b>                            |                                  |                               |
| Current                                  |                                  |                               |
| Cash and cash equivalents                | 38,289                           | 208,602                       |
| Accounts receivable                      | 23,453                           | 7,768                         |
| Prepaid expenses and deposits            | 9,843                            | 12,114                        |
| Goods and services tax recoverable       | 6,164                            | 5,531                         |
|  | <hr/> 77,749                     | <hr/> 234,015                 |
| Equipment (Note 5)                       | 17,924                           | 19,131                        |
| Deferred share issuance costs            | –                                | 2,438                         |
|  | <hr/> 95,673                     | <hr/> 255,584                 |
| <b>LIABILITIES</b>                       |                                  |                               |
| Current                                  |                                  |                               |
| Accounts payable and accrued liabilities | 50,351                           | 57,350                        |
| Deferred revenue                         | –                                | 7,507                         |
| Due to a related party (Note 13)         | 101,829                          | 117,970                       |
|  | <hr/> 152,180                    | <hr/> 182,827                 |
| <b>SHAREHOLDERS' EQUITY</b>              |                                  |                               |
| Share capital (Note 7)                   | 8,535,503                        | 8,220,403                     |
| Contributed Surplus (Note 10)            | 353,153                          | 353,153                       |
| Common Shares Subscribed (Note 7)        | –                                | 225,500                       |
| Deficit                                  | (8,945,163)                      | (8,726,299)                   |
|  | <hr/> (56,507)                   | <hr/> 72,757                  |
|  | <hr/> 95,673                     | <hr/> 255,584                 |

Nature of Operations and Continuance of Business [Note 1]

Commitment [Note 15]

Subsequent Events [Note 16]

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

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**QUIZAM MEDIA CORPORATION****INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT****FOR THE THREE MONTHS ENDED AUGUST 31**

(Unaudited – Prepared by Management)

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|   | As at<br>August 31<br>2009<br>\$ | As at<br>August 31<br>2008<br>\$ |
|---|----------------------------------|----------------------------------|
| REVENUES  |                                  |                                  |
| Training services and software sales              | 103,125                          | 183,686                          |
| EXPENSES  |                                  |                                  |
| Accounting and legal                              | 37,600                           | 42,079                           |
| Advertising and promotion                         | 360                              | 17,514                           |
| Amortization                                      | 3,812                            | 6,036                            |
| Automobile  | 7,664                            | 4,968                            |
| Bank charges and interest                         | 765                              | 834                              |
| Interest on related party debt                    | 2,776                            | 1,349                            |
| Management fees                                   | 18,000                           | 18,000                           |
| Office and miscellaneous                          | 10,378                           | 13,391                           |
| On-Track TV development costs (Note 12)           | 53,295                           | 52,066                           |
| Software development costs (Note 12)              | 38,854                           | 69,514                           |
| Regulatory fees                                   | 10,537                           | 7,381                            |
| Rents   | 46,280                           | 45,276                           |
| Subcontractors                                    | 8,699                            | 23,338                           |
| Telephone   | 4,889                            | 7,039                            |
| Travel and business development                   | 20,320                           | 6,610                            |
| Investor and finance development                  | 9,175                            | 613                              |
| Wages and benefits                                | 49,142                           | 88,575                           |
|   | 322,546                          | 404,583                          |
| LOSS BEFORE OTHER ITEMS                           | (219,421)                        | (220,897)                        |
| OTHER ITEMS                                       |                                  |                                  |
| Interest income                                   | 557                              | 751                              |
| NET LOSS FOR THE QUARTER                          | (218,864)                        | (220,146)                        |
| DEFICIT, BEGINNING OF QUARTER                     | (8,726,299)                      | (7,486,784)                      |
| DEFICIT, END OF QUARTER                           | (8,945,163)                      | (7,706,930)                      |
| WEIGHTED AVERAGE LOSS PER SHARE BASIC AND DILUTED | (0.011)                          | (0.017)                          |
| WEIGHTED AVERAGE NUMBER OF SHARES                 | 19,784,612                       | 13,172,401                       |

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

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**QUIZAM MEDIA CORPORATION****INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****THREE MONTHS ENDED AUGUST 31**(Unaudited – Prepared by Management)

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|   | As at<br>August 31<br>2009<br>\$ | As at<br>August 31<br>2008<br>\$ |
|---|----------------------------------|----------------------------------|
| <b>OPERATING ACTIVITIES</b>                                     |                                  |                                  |
| Net loss for the quarter  | (218,864)                        | (220,146)                        |
| Items not affecting cash:                                       |                                  |                                  |
| Amortization  | 3,812                            | 6,036                            |
| Stock based compensation  |                                  |                                  |
|   | (215,052)                        | (214,110)                        |
| Changes in non-cash working capital items:                      |                                  |                                  |
| Decrease (Increase) in accounts receivable                      | (15,685)                         | 22,746                           |
| Decrease (Increase) in prepaid expenses and deposits            | 2,271                            | 3,044                            |
| Decrease (Increase) in goods and services tax recoverable       | (633)                            | 3,309                            |
| (Decrease) Increase in accounts payable and accrued liabilities | (6,999)                          | 11,640                           |
| (Decrease) Increase in deferred revenue                         | (7,507)                          | (6,567)                          |
| <b>CASH USED IN OPERATING ACTIVITIES</b>                        | <b>(243,605)</b>                 | <b>(179,938)</b>                 |
| <b>FINANCING ACTIVITIES</b>                                     |                                  |                                  |
| Repayments to related parties                                   | (16,141)                         | (92,733)                         |
| Issuance of share capital, net                                  | 89,600                           | 404,000                          |
| Deferred share issuance costs                                   | 2,438                            | –                                |
| <b>CASH PROVIDED BY FINANCING ACTIVITIES</b>                    | <b>75,897</b>                    | <b>311,267</b>                   |
| <b>INVESTING ACTIVITIES</b>                                     |                                  |                                  |
| Redemption (purchase) of short term investments                 | –                                | (29,596)                         |
| Acquisition of equipment  | (2,605)                          | (1,421)                          |
| <b>CASH USED IN INVESTING ACTIVITIES</b>                        | <b>(2,605)</b>                   | <b>(31,017)</b>                  |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>         | <b>(170,313)</b>                 | <b>100,312</b>                   |
| <b>CASH AND CASH EQUIVALENTS – BEGINNING OF THE QUARTER</b>     | <b>208,602</b>                   | <b>68,877</b>                    |
| <b>CASH AND CASH EQUIVALENTS – ENDING OF THE QUARTER</b>        | <b>38,289</b>                    | <b>169,189</b>                   |
| <b>NON-CASH FINANCING AND INVESTING ACTIVITIES</b>              |                                  |                                  |
| Issuance of shares for finders' fees                            | 22,550                           | 27,500                           |
| <b>SUPPLEMENTAL INFORMATION</b>                                 |                                  |                                  |
| Interest paid   | 2,776                            | 1,349                            |
| Income tax paid   | –                                | –                                |

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

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

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, 2009, the Company adopted the following standards of the Canadian Institute of Chartered Accountants’ (“CICA”) Handbook:

(a) Goodwill and Intangible Assets (Section 3064)

Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible. The adoption of this standard did not have any material impact on the Company’s financial statements.

(b) Credit Risk and the Fair Value of Financial Assets and Liabilities (EIC 173)

The AcSB issued EIC-173, which requires the Company to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The standard is required to be applied retrospectively without restatement of prior periods. The adoption of this standard did not have an impact on the valuation of financial assets or liabilities of the Company.

(c) Mining Exploration Costs (EIC 174)

The AcSB issued EIC-174, which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The adoption of this standard did not have any material impact on the Company’s financial statements.

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

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 THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

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.

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 August 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 August 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

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial instruments and risk (continued)

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.

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 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 THREE MONTHS END AUGUST 31, 2009**  
**(Unaudited – Prepared by Management)**

5. EQUIPMENT

|                        | Cost           | Accumulated<br>Amortization | August 31,<br>2009<br>Net Book<br>Value | May 31,<br>2009<br>Net Book<br>Value |
|------------------------|----------------|-----------------------------|---|--------------------------------------|
|                        | \$             | \$                          | \$                                      | \$                                   |
| Computer hardware      | 321,209        | 304,463                     | 16,746                                  | 17,803                               |
| Furniture and fixtures | 69,241         | 69,015                      | 226                                     | 240                                  |
| Library                | 2,721          | 1,769                       | 952                                     | 1,088                                |
|                        | <u>390,566</u> | <u>371,435</u>              | <u>17,924</u>                           | <u>19,131</u>                        |

6. LINE OF CREDIT

As at August 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 quarter end the amount of the line of credit used is \$NIL.

7. SHARE CAPITAL

|  | Number<br>of Shares | \$               |
|--|---------------------|------------------|
| 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  | 18,212,461          | 8,220,403        |
| For cash - Issued by private placement                                     | 1,500,002           | 315,000          |
| Issued as finders' fees  | 107,381             | 22,550           |
| Share issuance costs   | –                   | (22,550)         |
| Balance at August 31, 2009   | <u>19,819,844</u>   | <u>8,535,403</u> |

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7. SHARE CAPITAL (continued)

- (a) 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 issued 107,381 shares as finders' fees with a fair value of \$22,550 and recorded as share issuance costs.
- (b) 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 recorded as share issuance costs.
- (c) At the quarter ended of August 31, 2009, there were no options exercised.
- (d) At the quarter end of August 31, 2008, 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.

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.

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

|                              | Number<br>of shares | Weighted Average<br>Exercise Price<br>\$ |
|------------------------------|---------------------|--|
| 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                                     |
| Cancelled/expired            | (7,500)             | 0.20                                     |
| Outstanding, August 31, 2009 | 750,000             | 0.25                                     |

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9. SHARE PURCHASE WARRANTS

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

|                                | Number<br>of shares | Weighted<br>Average<br>Exercise<br>Price<br>\$ |
|--------------------------------|---------------------|--|
| 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   |
| Issued with private placements | 1,500,002           | 0.45   |
| Expired                        | (980,000)           | 0.96   |
| Balance, May 31, 2009          | 6,000,001           | 0.34   |

The 500,000 warrants repriced at \$0.30 on March 6, 2009 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<sup>th</sup>, 2009.

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

| Number of Warrants | Exercise Price<br>\$                                | Expiry Date      |
|--------------------|---|------------------|
| 2,499,999          | \$0.30 to Jan 25, 2010 or<br>\$0.50 to Jan 26, 2011 | January 26, 2011 |
| 2,000,000          | \$0.45 to Oct 22, 2009 or<br>\$0.65 to Apr 23, 2010 | April 23, 2010   |
| 1,500,002          | \$0.45 to Dec 4, 2009 or<br>\$0.65 to Jun 5, 2010   | June 5, 2010     |

10. CONTRIBUTED SURPLUS

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

|  | Amount<br>\$ |
|--|--------------|
| 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      |
| Fair value of stock options exercised and transferred to share capital | -            |
| Fair value of stock options granted                                    | -            |
| Balance, August 31, 2009   | 353,153      |

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11. SEGMENTED INFORMATION

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

|               | 2009      | 2008      |
|---------------|-----------|-----------|
| Revenue       | 103,105   | 183,686   |
| Expenses      | (218,099) | (277,151) |
| Profit (loss) | (114,994) | (93,465)  |

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

|               | 2009      | 2008      |
|---------------|-----------|-----------|
| Revenue       | 20        | –         |
| Expenses      | (103,890) | (111,681) |
| Profit (loss) | (103,870) | (111,681) |

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 three months ended August 31, 2009 and 2008 are as follows:

|  | 2009   | 2008   |
|--|--------|--------|
|  | \$     | \$     |
| Salary, wages and fees (management, programming and marketing) | 52,765 | 31,183 |
| Materials  | 118    | –      |
| Marketing  | 412    | 5,423  |
| Advertising and promotion                                      | –      | 15,460 |
|  | <hr/>  | <hr/>  |
|  | 53,295 | 52,066 |
|  | <hr/>  | <hr/>  |

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12. PRODUCT DEVELOPMENT COSTS (continued)

(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 three months ended August 31, 2009 and 2008 are as follows:

|  | 2009<br>\$   | 2008<br>\$   |
|--|--------------|--------------|
| Salary, wages and fees (management, programming and marketing) | 36,726       | 63,281       |
| Materials  | 628          | –            |
| Marketing  | 1500         | 2,833        |
| Advertising and promotion                                      | –            | 3,400        |
|  | <hr/> 38,854 | <hr/> 69,514 |

13. RELATED PARTY TRANSACTIONS

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

The Company owes \$101,829 (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 \$118,095 (2008 - \$109,429) was paid for these services during the quarter.

(b) Marketing and publicity fees totalling \$5,238 (2008 - \$1,762) were paid to a company owned by a relative of one of the directors.

(c) Marketing and publicity fees totalling \$16,016 (2008 - \$7,500) were paid to relatives of one of the directors.

(d) A significant shareholder was paid \$2,776 (2008 - \$1,349) 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. CAPITAL DISCLOSURE

The Company's capital currently consists of common shares, options and warrants. As the Company is in the development stage, its principal 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.

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15. 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  |

16. SUBSEQUENT EVENTS

- (a) On September 4, 2009, the UK Housing Association known as Kingfisher HVHS Housing Association has begun purchasing licenses from ONTRACKTV UK. Kingfisher HVHS Housing Group is the largest housing association in the county of North Hampshire providing services to over 7,000 residents. This agreement is an example showing that there is much interest in the UK for our online training.
- (b) On September 8, 2009, the Company signed a deal with The Medicines and Healthcare products Regulatory Agency Authority (MHRA) in U.K. for 50 license pilot from ONTRACKTV UK. MHRA is an executive agency of the Department of Health and the UK government agency responsible for ensuring that medicines and medical devices work and are acceptably safe. This agreement gives MHRA 50 user licences for a strict period of time whilst funding is put in place for a wider roll out to up to 1,000 staff members. This department will give ONTRACKTV excellent exposure through UK Government agencies.
- (c) On October, 2009, the Company has announced a non-brokered private placement consisting of 4,090,910 units at \$0.11 per unit for proceeds of \$450,000. Each unit will consist of one common share and one share purchase warrant exercisable at a price of \$0.25 for the first six months and \$0.45 for the second six-month period.