

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

CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

February 28, 2006

NOTICE TO READER

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

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

	Feb-06	May-05
	\$	\$
ASSETS		
Current		
Cash	53,879	71,134
Accounts receivable	41,528	62,460
Prepaid expenses and deposits	9,613	13,180
	<u>105,020</u>	<u>146,774</u>
Property, plant and equipment (Note 4)	54,508	46,807
	<u>159,528</u>	<u>193,581</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	38,991	69,416
Current portion of obligation under capital leases (Note 6)	3,406	13,632
	<u>42,397</u>	<u>83,048</u>
Long Term Debt		
Obligation under capital leases (Note 6)	27,272	27,272
Due to a related party (Note 7)	206,274	328,496
Proposal on debt settlement (Note 8)	70,000	95,200
	<u>303,546</u>	<u>450,968</u>
	345,943	534,016
SHAREHOLDERS' DEFICIT		
Shareholders' deficiency		
Capital stock (Note 9)	3,917,854	3,162,984
Deficit	(4,104,270)	(3,503,419)
	<u>(186,415)</u>	<u>(340,435)</u>
	159,528	193,581

QUIZAM MEDIA CORP.

(formerly On-Track Learning Systems Ltd.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	3 Months Ending 28-Feb-06	3 Months Ending 28-Feb-05	9 Months Ending 28-Feb-06	9 Months Ending 28-Feb-05
REVENUES				
Education & Software	\$ 82,971	\$ 73,678	\$ 182,400	\$ 294,445
Film Production	-	56,048	-	56,048
	<u>82,971</u>	<u>129,726</u>	<u>182,400</u>	<u>350,493</u>
EXPENSES				
Accounting and legal	13,030	13,546	44,938	81,875
Advertising and promotion	9,678	-	11,977	-
Amortization	5,629	3,993	15,445	16,725
Automobile	2,976	4,827	13,471	16,645
Bank charges and interest	2,499	3,803	7,809	11,808
Equipment and room rentals	-	-	-	5,541
Management fees	18,000	36,000	90,000	108,000
Office and miscellaneous	19,502	26,741	60,014	106,150
Production costs	-	28,386	-	28,386
Regulatory fees	10,287	4,711	27,262	13,263
Rents	28,843	34,923	68,818	104,870
Subcontractors	8,227	16,356	31,617	51,145
Telephone	4,435	4,568	12,961	14,848
Travel and entertainment	21,066	5,046	51,672	27,462
Wages and benefits	31,602	73,766	115,370	239,144
	<u>175,774</u>	<u>256,663</u>	<u>551,354</u>	<u>825,861</u>
Loss before other items	(92,803)	(126,937)	(368,954)	(475,368)
OTHER ITEMS				
Interest income	1,327	-	1,381	2
Reclaimed expenses	-	-	-	219,877
Interest Charge	(7,520)	(7,661)	(20,419)	(20,496)
Loss on debt settlement	-	(41,667)	-	(83,333)
Quizam development	(113,497)	(35,962)	(208,636)	(54,891)
Write-off receivables	-	-	(4,222)	-
	<u>(119,690)</u>	<u>(85,290)</u>	<u>(231,897)</u>	<u>61,159</u>
Income (Loss) for the period	(212,493)	(212,227)	(600,851)	(414,209)
Deficit, beginning of the period	<u>(3,891,777)</u>	<u>(3,038,961)</u>	<u>(3,503,419)</u>	<u>(2,836,979)</u>
Deficit, end of the period	(4,104,270)	(3,251,188)	(4,104,270)	(3,251,188)

QUIZAM MEDIA CORPORATION
(formerly On-Track Learning Systems Ltd.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	3 months ending 28-Feb-06	3 months ending 28-Feb-05	9 months ending 28-Feb-06	9 months ending 28-Feb-05
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for quarter	(212,493)	(212,227)	(600,851)	(414,209)
Items not affecting cash:				
Amortization	5,629	3,993	15,445	16,725
Changes in non-cash working capital items:				
Accounts receivable	(24,236)	29,981	20,932	68,572
Prepaid expenses and deposits	-	34,387	3,567	(46,868)
Accounts payable and accrued liabilities	1,736	(62,148)	(30,424)	(220,536)
Net cash used in operating activities	(229,364)	(206,014)	(591,331)	(596,316)
CASH FLOWS FROM FINANCING ACTIVITIES				
Bank indebtedness	-	23,195	-	9,525
Due to related parties	(127,069)	11,365	(122,222)	(284,107)
Capital lease obligations	(3,409)	(3,409)	(10,226)	(10,226)
Issuance of capital stock	386,000	140,000	754,870	841,261
Obligations to issue capital stock	-	35,719	-	40,719
Debt settlement	(8,400)	-	(25,200)	-
Net cash provided by financing activities	247,122	206,870	597,222	597,172
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant & equipment	(1,593)	(856)	(23,146)	(856)
Net cash used in investing activities	(1,593)	(856)	(23,146)	(856)
Increase (decrease) in cash	16,165	-	(17,255)	-

QUIZAM MEDIA CORPORATION
(formerly Torq Media Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
3rd QUARTER ENDED FEBRUARY 28, 2006

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

Use of estimates

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)...

Property, plant and equipment

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

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

Revenue recognition

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

Stock-based compensation

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

Loss per share

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

Income taxes

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)...

Comparative figures

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

3. BUSINESS COMBINATION AND CONSOLIDATION

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

4. PROPERTY, PLANT AND EQUIPMENT

	\$ Cost	\$ Accumulated Amortization	\$ 2006 NBV
Automobile	64,052	35,229	28,823
Computer Hardware	267,382	246,900	20,482
Furniture and fixtures	72,369	67,166	5,203
	403,803	349,295	54,508

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

5. LINE OF CREDIT

As at February 28, 2006 the Company has a line of credit in place of \$5,000 bearing interest at prime plus five percent. The line of credit is guaranteed by the assets of the Company.

6. OBLIGATIONS UNDER CAPITAL LEASES

	\$ 2006	\$ 2005
Payments of approximately \$1,136 per month including Interest, due over lease terms expiring through May 2008	30,678	40,904
Less: current portion	3,406	13,632
	<u>27,272</u>	<u>27,272</u>

7. DUE TO RELATED PARTIES

The Company is indebted to a significant shareholder, who is a director and officer in the amount of \$206,274. The advance is secured by the assets of the Company and bears interest at 12% per annum and is without fixed terms of repayment.

8. DEBT SETTLEMENT

Back in the fall of 2004, the 100% owned subsidiary of the Company made a proposal to its creditors under Subsection 50.44(1) of the Bankruptcy and Insolvency Act, and which has received creditor and creditor approval. The proposal consisted of a restructuring of \$330,000 of current debt, by reversing \$225,000 of the debt as reclaimed expenses and converting \$112,000 of the current debt into a long-term debt to be repaid over 40 months. The last payment of this stream will be in March 2008.

9. CAPITAL STOCK

	Number of Shares	\$
Authorized – 100,000,000 common shares without par value		
Issued –		
Balance at May 31, 2001	100	100
Subdivision of shares (6:5:1)	550	-
Subdivision of shares (1:585:1)	380	-
Balance at May 31, 2002	<u>1,030</u>	<u>100</u>

9. CAPITAL STOCK (continued)...

Common shares of the Company at January 9, 2003	2,872,500	-
Common shares of On-Track at January 9, 2003	(1,030)	-
Pursuant to business combination	7,210,000	125,960
Settlement of shareholder loan	479,378	359,534
Private placement	770,000	385,000
Settlement of amounts in dispute	553,000	275,000
Settlement of loan payable	660,000	330,000
Finder's fee pursuant to business combination	350,000	-
Exercise of stock options	205,000	41,000
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Balance at May 31, 2003	13,099,878	1,516,594
Options exercised	1,244,000	124,400
Issued from debt settlement	3,431,489	343,149
Issued by private placement	1,400,000	70,000
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Balance at May 31, 2004	19,175,367	2,054,143
Balance, after Consolidation @ 12 to 1 at May 31, 2004	1,597,947	2,054,143
Issued by private placement	6,632,132	896,261
Issued by debt settlement	764,000	125,680
Returned to treasury	(33,333)	(40,000)
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Balance at May 31, 2005	8,960,746	3,036,084
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Balance post consolidation on May 31, 2005 @ 4 to 1	2,240,187	3,036,084
Issued by private placement	2,200,000	363,000
Finder's fee (non-cash)	132,000	-
Finder's fee (cash)	-	(10,230)
Issued by private placement	365,000	146,000
Finder's fee (non-cash)	24,750	-
Return to treasury	(32,500)	(13,000)
Re-issued	25,000	10,000
Issued by private placement	1,200,000	156,000
Issued by warrants	905,228	225,000
Issued by options	10,000	5,000
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Balance at February 28, 2006	7,069,665	3,917,854

Consolidation

In May 2005 the Company underwent a consolidation of shares, exchanging four (4) old shares for one (1) new share.

9. CAPITAL STOCK (continued)...

Stock options

As of February 28, 2006 outstanding stock options granted to employees, officers, directors and consultants of the Company are as follows:

Number Of Options	Exercise Price \$	Expiry Date
430,000	0.50	June 16, 2007

Stock-based compensation

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

	\$ 2006
Risk-free interest rate	7.25%
Expected life of options	1.25 years
Expected volatility	1 to 4%
Expected dividend yield	0.00%

Warrants

At February 28, 2006, warrants were outstanding enabling holders to acquire the following number of shares:

Number of shares	Exercise Price \$	Expiry Date
302,500	0.40	May 3, 2006

9. CAPITAL STOCK (continued)...

62,500	1.00	August 8, 2006
262,153	0.92	November 9, 2006
1,200,000	0.17	December 23, 2006
125,000	0.92	January 5, 2007

1,286,363
332,000

0.22
0.50

June 24, 2007
October 7, 2007

10. PRODUCT DEVELOPMENT COSTS

Thought the first full working versions for Quizam Software are up and running the company continues to incur costs on revisions and new releases of the software.

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

Date of Information

1.1 February 28, 2006

Overall Performance

1.2 The business continues to improve its track by reducing losses on the path to profitability. Note that last year we had a special one time Revenue Surge from Film Production in the same quarter. Our Education and Software sales for this quarter have increased by more than 12% for the same period last year. Even without the Filming Revenue our **Profitability** before "Other Items" **has increased** by almost **30%**. When one compares the net figures "before other items" our 3 month ending figures are **\$34,134 better** than last year for the same period, while our **9** month comparison figures are more than **\$181,801 improved**. The training division is improving each month and Quizam Software sales are starting to increase even though the company has not yet initiated its marketing campaign for Quizam.

Note as well that the company has significantly streamlined its operations and improved efficiency thereby reducing many of its operational expenses. Compared to the same quarter for last year management fees have been cut in 1/2, Office and miscellaneous has been reduced by 27%, wages and benefits have been reduced by 58% and Rent was reduced by 17%. There was an increase in Travel and Entertainment. This is due to the world wide reach that Quizam is enjoying.

Selected Annual Information

1.3	2006	2005	2004
	3 Months-Ended	3 Months-Ended	3 Mnths-End
	February 28	February 28	February 29
a) Net Sales	82,971	129,726	163,351
b) Net Income (Loss)	(212,493)	(212,227)	(231,682)
c) Net Income (Loss)	(212,493)	(212,227)	(231,682)
d) Total Assets	54,508	53,351	76,466
e) Long-Term Liability	303,546	365,148	304,703
f) Cash Dividends	0	0	0

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

Results of Operations

- 1.4 The company is focusing more and more on the distribution and sales of Quizam. Results are improving quarter by quarter. There has been much transitioning as the company is focusing more and more on Intellectual Property (IP) products such as Training DVD's and Quizam Software. We incurred some additional expenses for Quizam software this quarter as we ramped up the marketing material and have added to our programming team. During this quarter the company also incurred expenses for Programming Equipment for the Programming Team. This will continue to ensure that Quizam software remains on the cutting edge of industry standards.

Summary of Quarterly Results

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

Description	9 Months Ended Feb-28 2006	6 Months Ended Nov-30 2006	3 Months ended Aug-31 2006	Year ended May-31 2005	9 Months ended Feb-28 2005	6 Months ended Nov-30 2005	3 Months ended Aug-31 2005	Year ended May-31 2004
Net Sales	182,400	99,429	50,704	687,173	350,493	220,767	103,849	690,554
Income or (loss) before other items	(368,954)	(222,685)	(124,584)	(228,988)	(550,755)	(380,194)	(205,251)	(909,185)
Net Income or (loss) for the period	(600,851)	(387,785)	(196,389)	(666,440)	(414,209)	(201,982)	(205,250)	(917,425)
Shares Issued	7,069,665	4,954,437	4,572,187	2,240,187	6,621,746	5,871,746	2,250,119	19,175,367
Per Share	(.08)	(.08)	(.04)	(.29)	(.06)	(.03)	(.09)	(.05)

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

Liquidity

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

Quick current ratio	February 2006	May 2005
Cash in the Bank	53,879	71,134
Accounts Receivable & Prepaid Expenses	51,141	75,640
Account Payable & Accrued Liabilities	42,397	83,048
Long Term Debt	303,546	450,968

As at February 28, 2006 the Company has current assets of approx \$ 105,020 with current liabilities of approximately \$42,397 **improving** its ratio of Current Assets to Current liabilities to **2.5 : 1 in the positive**. The company is continuing to reduce its Long Term Debt as well.

This ratio is continuing to improve quarter by quarter.

Capital Resources

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

Off-Balance Sheet Arrangements

- 1.8 The following events occurred subsequent to February 28, 2006:

On January 18th, 2006 1.2 million shares were issued through a unit private placement priced at \$0.13. Each unit came with a 1 year warrant priced at \$0.17.

Transactions with Related Parties

- 1.9 In addition to related party transactions disclosed elsewhere in these notes, the following transactions occurred:
- a) Quizam Media and On-Track outsource several services to the staff of a company owned by a significant shareholder. These services include management, accounting, TSX administration, legal fees, filing fees, press releases, transportation, telephone, overseas business development and other office expenses. From December 2005 to February 2006, a total of \$135,369 was paid for said services.
 - b) Secured loan from significant shareholder bearing 12% had a balance owing as at February 28, 2006 of \$206,274.

Proposed Transactions

- 1.11 Continue to focus on growth and profitability. The main strategies in the process include:
- a) Gross Margin controls are now in place. The company will now employ focused sales and marketing strategies to increase revenues thereby driving profitability.
 - b) Continue to expand the industrial arm of On-Track to produce industrial/promotional DVD's
 - c) Continue the deployment of Quizam into UK and Europe.

Changes in Accounting Policies including Initial Adoption

- 1.13 Although no accounting policies will change to conflict with Canadian G.A.A.P. There are plans afoot to change the chart of accounts to provide management with better tools (ie. allocate expenses to a cost

of services section to cater to a margin and provide an operating profit prior to fixed expenses).