

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

CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

February 28, 2007

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-07	May-06
	\$	\$
ASSETS		
Current		
Bank	194,158	309,744
Accounts receivable (Note 5)	898,098	18,840
Prepaid expenses and deposits	5,133	6,509
Goods and Services tax recoverable	9,356	9,775
	1,106,745	344,868
Property, plant and equipment (Note 4)	46,752	47,071
	1,153,497	391,939
LIABILITIES		
Current		
Accounts payable and accrued liabilities	45,961	50,495
Current portion of obligation under capital leases (Note 7)	3,409	13,632
Current portion on debt settlement (Note 9)	8,400	33,600
	57,770	97,727
Long Term Debt		
Obligation under capital leases (Note 7)	13,633	13,633
Due to a related party (Note 8)	70,043	104,957
Proposal on debt settlement (Note 9)	28,000	28,000
	111,676	146,590
	169,447	244,317
SHAREHOLDERS' DEFICIT		
Shareholders' deficiency		
Capital stock (Note 10)	5,381,671	4,539,415
Deficit	(4,397,620)	(4,391,793)
	984,051	147,622
	1,153,497	391,939

APPROVED ON BEHALF OF THE BOARD:

“ Russ Rossi “ _____ **Director**

“ Jim Rosevear “ _____ **Director**

QUIZAM MEDIA CORP.

(formerly On-Track Learning Systems Ltd.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	3 Months Ending 28-Feb-07	3 Months Ending 28-Feb-06	9 Months Ending 28-Feb-07	9 Months Ending 28-Feb-06
REVENUES				
Education & Software	\$ 92,467	\$ 82,971	\$ 214,819	\$ 182,400
Software licensing (Note 5)	<u>294,125</u>	<u>-</u>	<u>872,125</u>	<u>-</u>
	<u>386,592</u>	<u>82,971</u>	<u>1,086,944</u>	<u>182,400</u>
EXPENSES				
Accounting and legal	21,495	13,030	63,300	44,938
Advertising and promotion	10,520	9,678	26,627	11,977
Amortization	6,542	5,629	19,252	15,445
Automobile	8,801	2,976	17,453	13,471
Bank charges and interest	2,998	2,499	8,073	7,809
Management fees	18,000	18,000	54,000	90,000
Office and miscellaneous	16,900	19,502	44,924	60,014
Regulatory fees	13,245	10,287	25,772	27,262
Rents	31,390	28,843	89,874	68,818
Subcontractors	1,400	8,227	9,444	31,617
Telephone	5,277	4,435	14,699	12,961
Travel and promotion	54,312	21,066	86,133	51,672
Wages and benefits	<u>74,740</u>	<u>31,602</u>	<u>159,650</u>	<u>115,370</u>
	<u>265,619</u>	<u>175,774</u>	<u>619,201</u>	<u>551,354</u>
Income (Loss) before other items	120,973	(92,803)	467,743	(368,954)
OTHER ITEMS				
Interest income	266	1,327	590	1,381
Interest Charge	(1,519)	(7,520)	(3,734)	(20,419)
Insurance Claims	-	-	5,934	-
Administration and Promotion Fees (Note 6)	(31,171)	-	(31,171)	-
Product development	(226,421)	(113,497)	(445,189)	(208,636)
Write-off receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,222)</u>
	<u>(258,846)</u>	<u>(119,690)</u>	<u>(473,570)</u>	<u>(231,897)</u>
Income (Loss) for the period	(137,873)	(212,493)	(5,827)	(600,851)
Deficit, beginning of the period	<u>(4,259,747)</u>	<u>(3,891,777)</u>	<u>(4,391,793)</u>	<u>(3,503,419)</u>
Deficit, end of the period	(4,397,620)	(4,104,270)	(4,397,620)	(4,104,270)

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

	3 months ending 28-Feb-07	3 months ending 28-Feb-06	9 months ending 28-Feb-07	9 months ending 28-Feb-06
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for quarter	(137,873)	(212,493)	(5,827)	(600,851)
Items not affecting cash:				
Amortization	6,542	5,629	19,253	15,445
Changes in non-cash working capital items:				
Decrease (increase) in accounts receivable	(297,079)	(24,236)	(879,258)	20,932
Decrease in goods and services tax recoverable	1,910	-	419	-
Decrease in prepaid expenses and deposits	197	-	1,376	3,567
(Decrease) increase in accounts payable and accrued liabilities	(351)	1,736	(8,434)	(26,524)
Net cash used in operating activities	(426,654)	(229,364)	(872,471)	(587,431)
CASH FLOWS FROM FINANCING ACTIVITIES				
Due to related parties	27,590	(127,069)	(34,914)	(122,222)
Capital lease obligations	(3,409)	(3,409)	(10,223)	(10,226)
Issuance of capital stock	625,178	386,000	846,156	750,970
Debt settlement	(8,400)	(8,400)	(25,200)	(25,200)
Net cash provided by financing activities	640,959	247,122	775,819	593,322
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant & equipment	(7,382)	(1,593)	(18,934)	(23,146)
Net cash used in investing activities	(7,382)	(1,593)	(18,934)	(23,146)
Increase (decrease) in cash	206,923	16,165	(115,586)	(17,255)

QUIZAM MEDIA CORPORATION

(formerly Torq Media Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
3rd QUARTER ENDED FEBRUARY 28, 2007

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 in 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	48,039	16,013
Computer Hardware	287,655	257,732	29,923
Furniture and fixtures	68,959	68,143	816
	484,718	373,914	46,752

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. SOFTWARE LICENSING

On August 31, 2006 the Company entered into an agreement with an African Company to provide them with the rights to sell Quizam software. The License fee was sold for USD \$250,000. In addition, Quizam will receive 25% of the Revenue generated in South Africa.

On November 30, 2006 the Company sold another “ Territory License “ for the Quizam rights to the Gulf States of Qatar, Kuwait, Oman, Bahrain and the United Arab Emirates to Murailles Investments Ltd.. The License fee was sold for USD \$250,000 plus 25% of all revenues derived there from. Additionally, Murailles has an option for the licence for Saudi Arabia for further \$250,000.

5. SOFTWARE LICENSING (continued)...

On February 26, 2007, Mourailles Investments Ltd. has agreed to exercise the said option for licence to Saudi Arabia for USD\$250,000.

6. ADMINISTRATION AND PROMOTION FEES

In 3rd Quarter, Quizam helped to organize and administer a Symposium for Educators to attend. Quizam collected a fee from the attendees and in turn forwarded a portion of the fees to the event organizers. Besides being profitable this event provided some good exposure for Quizam.

7. OBLIGATIONS UNDER CAPITAL LEASES

	\$ 2006	\$ 2005
Payments of approximately \$1,136 per month including Interest, due over lease terms expiring through May 2008	13,633	37,496
Less: current portion	10,224	10,224
	3,409	27,272

8. DUE TO RELATED PARTIES

The Company is indebted to a significant shareholder, who is a director and officer in the amount of \$70,043. The advance is secured by the assets of the Company and bears interest at 12% per annum and is without fixed terms of repayment.

9. DEBT SETTLEMENT

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

10. 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	-
	1,030	100
Balance at May 31, 2002		
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
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
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)
Balance at May 31, 2005	8,960,746	3,036,084

10. CAPITAL STOCK (continued)...

Balance post consolidation on May 31, 2005 @ 4 to 1	2,240,187	3,036,084
Issued by private placement	4,057,500	926,000
Exercise of warrants	1,672,912	535,361
Exercise of options	102,000	51,700
Issued as finders' fees	184,934	-
Finder's fee paid	-	(10,230)
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Balance at May 31, 2006	8,257,533	4,538,915
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Exercise of warrants	125,000	69,350
Exercise of options	24,000	13,000
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Balance at August 31, 2006	8,406,533	4,621,265
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Exercise of options	9,000	4,700
Exercise of warrants	518,733	130,028
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Balance at November 30, 2006	8,934,266	4,755,993
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Issued by private placement	520,385	338,251
Finder's fee	43,000	-
Exercise of options	143,500	73,650
Exercise of warrants	657,030	189,428
Stock option benefits	-	23,850
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Balance at February 28, 2007	10,298,181	5,381,172
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Consolidation

On May 31, 2005, the Company has undergone a consolidation of shares, exchanging four (4) old shares for one (1) new share.

10. CAPITAL STOCK (continued)...

Escrow

As at February 28, 2007, 256,313 common shares of the Company are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory body having jurisdiction thereon. The common shares held in escrow will be released over three and six years periods.

Stock options

During the year ended May 31, 2006, the Company has granted stock options to employees, officers, directors and consultants of the Company. Stock options outstanding are summarized as follows:

	Number Of Options	Exercise Price \$
Expiring April 11, 2007	16,000	0.50
Expiring April 11, 2007	30,000	0.60
Expiring April 11, 2007	20,000	0.70
Expiring June 17, 2007	240,000	0.50
Expiring June 22, 2007	20,000	1.92
Expiring November 9, 2008	60,000	0.60
Balance February 28, 2007	386,000	n/a
Weighted average fair value of options granted	n/a	0.61

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	\$ 2005
Risk-free interest rate	5.00%	7.00%
Expected life of options	1/2 year	1/2 year
Expected volatility	40%	20%
Expected dividend yield	0.00%	0.00%

10. CAPITAL STOCK (continued)...

Warrants

At February 28, 2007 warrants were outstanding enabling holders to acquire the following number of shares:

Number of shares	Exercise Price \$	Expiry Date
268,900	1.50 to November 16/06	May 16, 2007
	2.00 to May 16/07	May 16, 2007
756,060	0.22	June 24, 2007
312,000	0.50	October 7, 2007
520,384	0.90 to July 8/07	January 8, 2008
	1.30 to January 8/08	January 8, 2008

11. PRODUCT DEVELOPMENT COSTS

The Company continues to concentrate its effort in the developing and marketing of the Quizam educational software. This activity has resulted in a second version of the educational software, and has also been adapted for compatibility with the Mac platform format. As well, the software has been actively promoted in the United Kingdom and various world markets.

The costs associated with product development are as follows:

	\$
Salary, wages and fees (programming and marketing)	150,882
Materials	40,411
Marketing	12,546
Advertising and promotion	22,582
	218,769

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

Date of Information

1.1 February 28, 2007

Overall Performance

1.2 When comparing this 9 months ending period to the 9 months ending a year ago there have been great improvements. Revenue has increased 5 times from \$182,400 to \$1,086,944. That's a 500% increase over the same period in the previous year. There has been an increase in profitability of more than \$800,000 before other items and \$600,000 over all. The company experience accelerated Development Costs and Marketing Costs in this Quarter due to the London Trade Show in January and Release of the New Version 3.0 of Quizam.

Selected Annual Information

1.3	2007	2006	
2005	3 Months-Ended	3 Months-Ended	3 Months-
Ended	February 28	February 28	
February 28			
a) Net Sales 129,726	386,592	82,971	
b) Net Income (Loss) (212,227)	(137,873)	(212,493)	
c) Net Income (Loss) (212,227)	(137,873)	(212,493)	
d) Total Assets 186,058	1,153,497	159,528	
e) Long-Term Liability 365,148	111,676	303,546	
f) Cash Dividends 0	0	0	

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

Results of Operations

- 1.4 Management is pleased with the performance of Quizam software in the Market Place. This quarter was particularly important as we showcased the product in London at the BETT Training and Technology trade show. Over 100 schools signed up for Quizam at that single show. The company is continuing to experience success with License sales and Global recognition of the product.

In addition to the Quizam Software, the On-Track training division is continuing to see growth in its face to face and on-line training division. Management feels that the On-Line High Definition Training vignettes will soon outgrow the face to face training.

Summary of Quarterly Results

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

Description	9 Months Ended Feb 28 2007	6 Months Ended Nov 30 2006	3 Months Ended Aug 31 2006	Year Ended May 31 2006	9 Months Ended Feb 28 2006	6 Months Ended Nov 30 2005	3 Months Ended Aug 31 2005	Year Ended May 31 2005	9 Months Ended Feb 28 2005
Net Sales	1,086,944	700,352	343,536	251,552	182,400	99,429	50,704	687,173	350,493
Income or (loss) before other items	467,743	344,557	187,908	(407,288)	(368,954)	(222,685)	(124,584)	(228,988)	(550,755)
Net Income or (loss) for the period	(5,827)	132,046	62,163	(888,374)	(600,851)	(387,785)	(196,389)	(666,440)	(414,209)
Shares Issued	10,298,181	8,934,266	8,406,533	8,257,533	7,069,665	4,954,437	4,572,187	2,240,187	6,621,746
Per Share	(.001)	.01	.01	(.11)	(.08)	(.08)	(.04)	(.29)	(.06)

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 continuing to improve impressively. As of February 2007 the ratio is 23:1

Quick current ratio 2006	February 2007	May
Cash in the Bank	194,158	
309,744		
Accounts Receivable & Prepaid Expenses	903,231	
25,349		
Account Payable & Accrued Liabilities	45,961	
50,495		

Long Term Debt
146,590

111,676

As at February 28, 2007 the Company has working capital of \$1,097,389 increasing its ratio of Current Assets to Current liabilities from **7:1 (Last Year End May 2006) to 23:1**. The company is continuing to reduce its Long Term Debt as well.

Capital Resources

- 1.7 Interim management discussion moved towards plans for capital expenditures in Multi Media Software Development and High Definition DVD editing, animation and 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, 2007:

Several more schools have signed license agreements with Quizam to use the software.

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 31, 2006 to February 28, 2007, a total of \$ 156,779 was paid for said services.
 - b) Secured loan from significant shareholder bearing 12% had a balance owing as at February 28, 2007 of \$70,043.

Proposed Transactions

- 1.11 Continue to focus on growth and profitability. The main strategies in the process include:
- a) Maintain control of gross margins with a disciplined focus on overall profitability.
 - b) Continue to grow the 3 business models for Quizam which include:
 - 1) Licenses to Schools and Institutions
 - 2) Corporate Licenses sold direct to User from Web Site
 - 3) Regional Licenses to Partners that can manage the regional Content and Marketing
 - c) Build the Content Library for both Quizam and On-Track On-Line
 - d) Grow the On-Line Vignette component of the On-Track business model.

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).