

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

CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

November 30, 2004

NOTICE TO READER

These financials 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.

TORQ MEDIA CORPORATION
(formerly On-Track Learning Systems Ltd.)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	\$ Nov-04	\$ May-04
ASSETS		
Current		
Accounts receivable	100,312	138,903
Prepaid expenses and deposits	96,763	15,508
	197,075	154,411
Property, plant and equipment (Note 1)	56,487	69,220
	253,562	223,631
LIABILITIES		
Current		
Bank indebtedness (Note 2)	11,178	24,848
Accounts payable and accrued liabilities	71,012	381,425
Loans and promissory notes payable (Note 3)	250,183	545,655
Current portion of obligation under capital leases (Note 4)	6,815	13,632
	339,188	965,560
Obligation under capital leases (Note 4)	40,907	40,907
Long Term Debt (Note 5)	152,024	-
	532,119	1,006,467
SHAREHOLDERS' DEFICIT		
Shareholders' deficiency		
Capital stock (Note 6)	2,755,404	2,054,143
Private Placement	5,000	-
Deficit	(3,038,961)	(2,836,979)
	253,562	223,631

(see accompanying notes)

On behalf of the Board:

Director

Director

TORQ MEDIA CORPORATION
(formerly On-Track Learning Systems Ltd.)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	3 months ending 30-Nov-04	3 months ending 30-Nov-03	6 months ending 30-Nov-04	6 months ending 30-Nov-03
REVENUES				
Training	\$116,918	\$166,463	\$220,767	\$366,821
	116,918	166,463	220,767	366,821
EXPENSES				
Accounting and legal	33,415	33,695	68,329	28,415
Advertising and promotion	-	495	-	570
Amortization	6,720	7,064	12,733	19,992
Automobile	4,699	4,334	11,818	6,537
Bank charges and interest	1,070	1,311	2,521	2,969
Equipment and room rentals	-	750	5,541	750
Management fees	36,000	44,750	72,000	76,150
Office and miscellaneous	52,625	68,816	112,281	135,323
Marketing development	10,950	40,535	14,929	84,118
Rent	32,940	39,204	70,037	77,936
Sub-contractors	17,689	64,188	34,789	102,530
Telephone	5,112	5,036	10,280	10,287
Travel and entertainment	10,673	10,086	22,416	19,132
Wages and benefits	77,311	82,950	163,287	209,895
	289,204	403,214	600,961	774,604
Loss before other items	(172,286)	(236,751)	(380,194)	(407,783)
OTHER ITEMS				
Interest income	-	56	2	790
Reclaimed expenses (Note 5)	219,877	-	219,877	-
Foreign exchange loss	-	-	-	(3)
Loss on debt settlement	(41,667)	-	(41,667)	-
	178,210	56	178,212	787
Income (loss) for the quarter	5,924	(236,695)	(201,982)	(406,996)
Deficit, beginning of quarter	(3,044,885)	(2,089,855)	(2,836,979)	(1,919,554)
Deficit, end of quarter	(3,038,961)	(2,326,550)	(3,038,961)	(2,326,550)

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

	3 months ending 30-Nov-04	3 months ending 30-Nov-03	6 months ending 30-Nov-04	6 months ending 30-Nov-03
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the quarter	5,924	(236,695)	(201,982)	(406,996)
Items not affecting cash:				
Amortization	6,720	7,064	12,733	19,992
Accrued interest on advances payable	-	17,489	-	17,489
Accrued interest on due to related party	-	18,182	-	25,052
Changes in non-cash working capital items:				
Accounts receivable	(27,469)	(41,623)	38,591	(16,769)
Prepaid expenses and deposits	(82,889)	1,635	(81,255)	41,204
Accounts payable and accrued liabilities	(233,398)	110,116	(158,389)	116,371
Management fees payable	-	-	-	40,000
Net cash used in operating activities	(331,112)	(123,832)	(390,302)	(163,657)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, plant & equipment	-	-	-	(752)
Net cash used in investing activities	-	-	-	(752)
CASH FLOWS FROM FINANCING ACTIVITIES				
Bank indebtedness	13,917	4,172	(13,670)	7,829
Repayment of advance payable	-	(150,151)	-	(150,151)
Due to related parties	(235,658)	16,215	(295,472)	55,407
Capital lease obligations	(3,408)	(4,545)	(6,817)	(6,817)
Issuance of capital stock	551,261	258,141	701,261	258,141
Obligations to issue capital stock	5,000	-	5,000	-
Net cash provided by financing activities	331,112	123,832	390,302	164,409
Change in cash during the period	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	-	-	-	-

TORQ MEDIA CORPORATION
(formerly On-Track Learning Systems Ltd.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2004

1. PROPERTY, PLANT AND EQUIPMENT

	\$ Nov 2004			\$ May 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Automobile	64,052	19,216	44,836	64,052	12,810	51,242
Computer Hardware	243,381	241,645	1,736	243,381	238,340	5,041
Furniture and fixtures	72,369	62,454	9,915	72,369	59,432	12,937
	379,802	323,315	56,487	379,802	310,582	69,220

On May 31, 2003, the Company entered into a capital lease to acquire an automobile primarily for the benefit of a significant shareholder who is a director and the president of the Company.

2. BANK INDEBTEDNESS

As at May 31, 2004, and 2003, the Company has a line of credit of \$5,000 bearing interest at prime plus five percent. The line of credit is guaranteed by the assets of the Company.

3. PROMISSORY NOTES PAYABLE

The Company has the following promissory notes payable.

	\$ Nov 2004	\$ May 2004
Promissory notes from third parties, unsecured And bearing interest at 10%	-	164,900
Promissory note from a significant shareholder, unsecured, bearing interest at 10% per annum	-	33,661
Loan from a significant shareholder, fully secured by the assets of the Company and guaranteed by Torq and bearing interest at 12% per annum.	250,183	306,519
Promissory note from Quest Ventures Ltd., unsecured and be interest at 6.34% per annum paid off by shareholder on November 19, 2004	-	40,575
	250,183	545,655

4. OBLIGATIONS UNDER CAPITAL LEASES

	\$ Nov 2004	\$ May 2004
Payments of approximately \$1,136 per month including interest, due over lease terms expiring through May 2008	47,722	54,539
Less: current portion	(6,815)	(13,632)
	40,907	40,907

5. LONG TERM DEBT

Davidson & Company	34,240
Thomas, Rondeau	5,784
The Proposal	112,000

Torq Media is in discussion with Davidson & Company (accountants) and Thomas Rondeau (lawyers) with respect to repayment of invoices for their services. All parties are considering a shares for debt solution.

With respect to the \$112,000, On-Track received the necessary creditor approval and court approval for its restructuring plan. Under this new plan OT will restructure over \$330,000 of its current debt by reversing nearly \$225,000 of the debt as "reclaimed expenses" and converting \$112,000 of the current debt into Long Term debt to be paid off over 40 months.

6. 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	1,030	100
Common shares of the Company at January 9, 2003	2,872,500	-
Common shares of On-Track at January 9, 2003	(1,030)	-
Common shares issued pursuant to business acquisition	7,210,000	125,960
Common shares issued to shareholder pursuant to business acquisition	479,378	359,534

Private placement pursuant to business acquisition	770,000	385,000
Common shares issued to Arcas pursuant to business acquisition	553,000	275,000
Common shares issued to Consensus pursuant to business acquisition	660,000	330,000
Common shares issued as a finder's fee pursuant to business acquisition	350,000	-
Common shares for exercise of options pursuant to business acquisition	205,000	41,000
Balance at May 31, 2003	13,099,878	1,516,594
Options exercised at September 11, 2003	655,000	65,500
Common shares issued from Debt Settlement at October 6, 2003	1,926,410	192,641
Options exercised at January 17, 2004	300,000	30,000
Issued by private placement in January, 2004	1,400,000	70,000
Options exercised at February 11, 2004	129,000	12,900
Options exercised at February 13, 2004	160,000	16,000
Common shares issued from Debt Settlement at March 31, 2004	1,505,079	150,508
Balance at May 31, 2004	19,175,367	2,054,143
Consolidation 12:1	1,597,947	2,054,143
Issued by private placement @ 23 cents on June 19, 2004	652,172	150,000
Balance at June 30, 2004	2,250,119	2,204,143
Issued by private placement at September 17, 2004	2,015,793	282,211
Common shares issued to shareholder @ 18 cents September 22, 2004	55,556	10,000
Balance at September 30, 2004	4,321,468	2,496,354
Common shares issued to shareholder @ 23 cents October 1, 2004	110,000	25,300
Common shares returned to treasury October 8, 2004	(33,333)	(40,000)
Common shares issued re: debt settlement @ 20 cents October 2004	425,000	85,000
Balance at October 31, 2004	4,823,135	2,566,654
Common shares issued to shareholder @ 18 cents November 9, 2004	545,831	98,250
Issued by private placement November 9, 2004	502,780	90,500
Balance at November 30, 2004	5,871,746	2,755,403

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

Date of Information

1.1 November 30, 2004

Overall Performance

1.2 There was a slight reduction on revenue over the same quarter however the company did show a profit thanks to the reclaimed expenses from the proposal restructuring of On-Track.

Selected Annual Information

		2004	2003	2002
		3 months	3 months	3 months
		ending Nov 30	ending Nov 30	ending Nov 30
1.3	a) Net Sales	116,918	166,463	572,435
	b) Net Income (Loss)	5,924	(236,695)	(111,516)
	c) Net Income (Loss)	5,924	(236,695)	(111,516)
	d) Total Assets	253,562	308,222	402,925
	e) Long-Term Liabilities	152,024	0	0
	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 had a reduction in the revenue over the same quarter the previous year. Note that this reduction is not as drastic as last year. It is consistent with management's plan to restructure and return to profitability.

The factors that contribute to revenue reduction are: Firstly On-Track has moved away from the barely profitable Oracle Partnership model. Secondly On-Track has refocused on client's business that produces at least a 56% gross margin. Finally management has spent significant time restructuring the debt and operations of the company.

Summary of Quarterly Results

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

Description	6 Months ended Nov-30 2004	3 Months Ended Aug-31 2004	Year ended May-31 2004	9 Months ended Feb-29 2003	6 Months ended Nov-30 2003	3 Months ended Aug-31 2003	Year ended May-31 2003	9 Months ended Feb-28 2003
Net Sales	220,767	103,849	690,554	530,172	366,821	200,358	1,729,305	1,300,579
Income or (loss) before other items	(380,194)	(205,251)	(909,185)	(656,804)	(407,784)	(186,019)	(552,226)	(456,829)
Net Income or (loss) for the period	(201,982)	(205,250)	(917,425)	(658,126)	(406,996)	(185,288)	(1,017,550)	(636,458)
Shares Issued	5,871,746	2,250,119	19,175,367	17,670,288	15,681,288	13,099,878	13,099,878	13,099,878
Per Share	(.03)	(.09)	(.05)	(.04)	(.03)	(.01)	(.08)	(.05)

On June 8, 2004 the shares were rolled back at a ratio of 12:1.

Liquidity

1.6 The company's liquidity (relationship between quick current assets and quick current liabilities) is has now become positive (more than 2 : 1)

Quick current ratio	Nov 2004	May 2004
Accounts Receivable & Prepaid Expenses	197,075	154,411
Bank Indebtedness & Account Payable	89,005	419,905
Long Term Debt	402,207	545,655

The handling of this inequity will be born in the next quarter and greatly improve the debt situation shown above. In addition the sources of income will be expanding in the future (see section 1.11)

As at November 30th, 2004, the Company has working capital of approximately \$108,000. The great improvement is partly due to the restructuring of On-Track.

Capital Resources

1.7 Interim management discussion moved towards plans for capital expenditures in training film and training DVD production. These would of course require the purchase or capital lease of equipment and will be discussed in more detail in section 1.11.

Off-Balance Sheet Arrangements

1.8

a) The following events occurred subsequent to November 30th, 2004

In December 2005, On-Track signed a 3-month contract with Micro Market Business Centres ("MMBC") of Kingston, Ontario for extensive and exclusive use of its training center in Victoria. The agreement will see MMBC using Torq's training facility through the first quarter of 2005.

On January 4th, 2005, by private placement, 500,000 post consolidation shares were issued at a price of \$0.18 per share. Each Share came with a full warrant exercisable at \$.23 for a period of 2 years.

On January 12th, 2005 Torq Media released it's new Software Study Tool called Quizam. This software helps students to study for exams.

Transactions with Related Parties

1.9 In addition to related party transactions disclosed elsewhere in these notes, the following transactions occurred:

- a) A company with a common shareholder was paid \$6,500 in accounting, brochure, marketing and consulting fees.
- b) Torq 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 and filing fees, Press Releases, transportation, telephone, overseas business development and other office expenses. During this period a total of \$54,839.65 was paid for said services.
- c) Related party transactions saw a repayment of loans to principal parties of approximately \$ 89,997 during the intervening periods. The Long-term debt obligations are (see financials and note 3 attached) as follows:

- Secured loan from significant shareholder bearing 12% interest	\$250,183
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Proposed Transactions

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

- a) Maintain control of gross margins on the service side of the business and continue to push forward on development of Intellectual Property that is scalable.
- b) Expand the industrial arm of On-Track to produce industrial/promotional DVD's
- c) Continue to develop and market learning software.

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).