

QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2005

GORDON K. W. GEE

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AUDIT REPORT

To the Shareholders of Quizam Media Corporationon

I have audited the consolidate statement of financial position of Quizam Media Corporationon as at 31 May 2005 and 2004 and the consolidated statements of operations and deficit and cash flow for the periods then ended. These consolidated financial statements are the responsibility of the Company's management. My responsibilty is to express an opinion on these consolidated financial statements based on my audit

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at 31 May 2005 and 2004 and the results of the operations and cash flow of the Company for the year then ended, in accordance with Canadian generally accepted accounting principles. As required by the Business Corporations Act (Ontario) , I report that in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
27 September 2005

" Gordon K.W. Gee"
CHARTERED ACCOUNTANT

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY

	<u>2005</u>	<u>2004</u>
	\$	\$
ASSETS		
CURRENT		
Bank	71,134	-
Accounts receivable	62,460	138,903
Prepaid expenses and deposits	<u>13,180</u>	<u>15,508</u>
	146,774	154,411
 PROPERTY, PLANT AND EQUIPMENT (Note 4)	 <u>46,807</u>	 <u>69,220</u>
	<u><u>193,581</u></u>	<u><u>223,631</u></u>
LIABILITIES		
CURRENT		
Bank indebtedness (Note 5)	-	24,848
Accounts payable and accrued liabilities	69,416	381,425
Current portion of obligation under capital leases (note 6)	<u>13,632</u>	<u>13,632</u>
	<u>83,048</u>	<u>419,905</u>
 LONG-TERM DEBT		
Obligation under capital leases (Note 6)	27,272	40,907
Due to a related party (Note 7)	328,496	545,655
Proposal on debt settlement (Note 8)	<u>95,200</u>	<u>-</u>
	<u>450,968</u>	<u>586,562</u>
	<u>534,016</u>	<u>1,006,467</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)	3,162,984	2,054,143
DEFICIT	<u>(3,503,419)</u>	<u>(2,836,979)</u>
	<u>(340,435)</u>	<u>(782,836)</u>
	<u><u>193,581</u></u>	<u><u>223,631</u></u>

APPROVED ON BEHALF OF THE BOARD:

" Russell Rossi"

Director

" Jim Rosevear"

Director

(See accompanying notes)

GORDON K. W. GEE
Chartered Accountant

QUIZAM MEDIA CORPORATION

STATEMENT OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED 31 MAY

	<u>2005</u>	<u>2004</u>
	<u>\$</u>	<u>\$</u>
REVENUE		
Training	631,125	690,554
Film	<u>56,048</u>	<u>-</u>
	<u>687,173</u>	<u>690,554</u>
EXPENSES		
Wages and benefits	235,320	403,663
Rent	114,470	155,386
Accounting and legal	109,723	115,322
Office and miscellaneous	101,249	140,082
Management fees	72,002	148,150
Bank charges and interest	55,156	98,466
Telephone and telecommunications	49,832	21,759
Sub-contractors	47,600	161,799
Regulatory fees	38,178	25,770
Travel and entertainment	37,399	57,732
Amortization	23,269	33,549
Automobile	20,200	20,993
Advertising and promotion	11,763	121,143
Oracle expenses	-	71,040
Bad debts	<u>-</u>	<u>24,885</u>
	<u>916,161</u>	<u>1,599,739</u>
LOSS BEFORE OTHER ITEMS	228,988	909,185
OTHER ITEMS		
Interest income	1,148	(213)
Loss on settlement of advances payable (Note 8)	165,000	8,453
Product development costs (Note 10)	<u>271,304</u>	<u>-</u>
NET INCOME (LOSS)	(666,440)	(917,425)
DEFICIT, beginning of year	<u>2,836,979</u>	<u>1,919,554</u>
DEFICIT, end of year	<u><u>3,503,419</u></u>	<u><u>2,836,979</u></u>

(See accompanying notes)

GORDON K. W. GEE
Chartered Accountant

QUIZAM MEDIA CORPORATION**STATEMENT OF CASH FLOW****FOR THE YEAR ENDED 31 MAY**

	<u>2005</u>	<u>2004</u>
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Net income (loss) from operations`	(666,440)	(917,425)
Item not involving cash-amortization	<u>23,269</u>	<u>33,549</u>
	(643,171)	(883,876)
Cash provided by changes in non-cash working		
Accounts receivable	76,443	54,198
Prepaid expense	2,328	80,517
Accounts payable and accrued liabilities	(312,009)	53,307
Management salaries payable	<u>-</u>	<u>(74,900)</u>
	<u>(876,409)</u>	<u>(770,754)</u>
FINANCING ACTIVITIES		
Due from related parties	-	126,801
Bank indebtedness	(24,848)	7,222
Repayment of advances payable	(248,321)	(150,151)
Due to related parties	31,162	287,968
Capital lease obligations	(13,635)	(13,635)
Issuance of capital stock	1,108,841	537,549
Obligations to issue capital stock	-	(25,000)
Debt settlement	<u>95,200</u>	<u>-</u>
	<u>948,399</u>	<u>770,754</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	<u>(856)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	<u><u>71,134</u></u>	<u><u>-</u></u>

(See accompanying notes)

GORDON K. W. GEE
Chartered Accountant

QUIZAM MEDIA CORPORATION

(formerly Torq Media Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2004

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. These consolidated financial do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as going concern.

	\$ 2005	\$ 2004
Working capital (deficiency)	63,726	(265,494)
Deficit	(3,503,419)	(2,836,979)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include 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.

Foreign currency translations

The monetary assets and liabilities of the Company dominated in foreign currencies are translated at the rate of exchange at the statement of financial position date and non-monetary items are translated at historical rates. Revenues and expenses are translated at exchange rates that approximate those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the results of operations.

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QUIZAM MEDIA CORPORATION

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2004

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 the 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 asset 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.

Comparative figures

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

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QUIZAM MEDIA CORPORATION

(formerly Torq Media Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2004

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	\$ 2005 NBV	\$ 2004 NBV
Automobile	64,052	25,621	38,431	51,242
Computer Hardware	244,237	243,030	1,207	5,041
Furniture and fixtures	72,369	65,200	7,169	12,937
	379,802	310,5821	46,807	69,220

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 May 31, 2005 the Company has a line of credit in place of \$5,000 bearing interest at prime plus five percent. The line of credit is guaranteed by the assets of the Company, and as at the year end the amount of the line of credit used is \$NIL.

6. OBLIGATIONS UNDER CAPITAL LEASES

	\$ 2005	\$ 2004
Payments of approximately \$1,136 per month including interest, due over lease terms expiring through May 2003	40,904	54,539
Less: current portion	13,632	(13,632)
	27,272	40,907

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QUIZAM MEDIA CORPORATION**(formerly Torq Media Corporation)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****MAY 31, 2004****7. DUE TO RELATED PARTIES**

The company is indebted to a significant shareholder, who is a director and officer in the amount of \$328,496. 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

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.

9. CAPITAL STOCK

	Number of Shares	\$
<hr/>		
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	-
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	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
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Balance at May 31, 2003	13,099,878	1,516,594
Options exercised	1,244,000	1,244,000
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
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QUIZAM MEDIA CORPORATION**(formerly Torq Media Corporation)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****MAY 31, 2004****9. CAPITAL STOCK (continued) . . .**

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
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Consolidation

The Company has undergone a consolidation of shares, exchanging four (4) old shares for one (1) new share.

As at May 31, 2005, 626,703 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 year periods.

Stock options

During the year ended May 31, 2005, the Company has a stock option plan (the "Plan") to grant options to employees, officers, directors and consultants of the Company.

Stock option transactions are summarized as follows:

	Number Of Options	Weighted Average Exercise Price \$
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Balance, May 31, 2004		
- Expiring October 15, 2005, after 4 to 1 consolidation	4,896	4.80
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Balance, May 31, 2004	4,896	n/a
Weighted average fair value of options granted	n/a	4.80
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Subsequent to the year end, on June 17, 2005, the Company granted an additional 440,000 shares, expiring on June 16, 2007, at an exercise price of \$0.50 per share.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2004

9. CAPITAL STOCK (continued) . . .

Stock-based compensation

The compensation expense relating to the options granted been accounted for under the Black-Scholes pricing model representing fair value, instead of the intrinsic value based method, the loss and loss per share would have been adjusted as follows:

	\$ 2005	\$ 2004
Loss for the year		
As reported	(666,440)	(917,425)
Pro-forma	(689,940)	(925,836)
Basic and diluted loss per share		
As reported	0.30 post consolidation	(0.58) pre consolidation
Pro-forma	0.11 post consolidation	(0.58) pre consolidation

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 are as follows:

	\$ 2005	\$ 2004
Risk-free interest rate	5.00%	4.00%
Expected life of options	1/2 year	1 to 1.5 years
Expected volatility	20%	50%
Expected dividend yield	0.0%	0.0%

Warrants

At May 31, 2004, warrants were outstanding enabling holders to acquire the following number of shares:

Number of Shares	Exercise Price \$	Expiry Date
29,167	4.80	January 19, 2006
500,000	0.40	May 3, 2006
62,500	1.00	August 8, 2006
262,153	0.92	November 9, 2006
125,000	0.92	January 5, 2007
2,200,000	0.22	June 24, 2007

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2004

12. RELATED PARTY TRANSACTIONS

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

The consolidated entity outsources 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 services. For the year a total of \$236,000 was paid for said services.

Significant shareholders were paid \$22,700 in interest on loans to the Company.

During the year, the net advances to and from a significant shareholder resulted in an increase in the loan from the shareholder of \$31,162.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	\$ 2005	\$ 2004
Loss for the year	(666,440)	(925,109)
Expected income tax recovery	270,127	384,973
Non-deductible expenses and items for tax purposes	(8,700)	(60,572)
Unrecognized benefit of non-capital losses	261,427	(324,401)
Total income taxes	-	-

The significant components of the Company's future income taxes assets are as follows:

	\$ 2005	\$ 2004
Future income tax assets		
Capital assets	103,517	102,661
Non-capital loss carry forwards	1,353,068	677,928
	1,456,585	780,589
Valuation allowance	1,456,585	(780,589)
Net future income tax assets	-	-

The Company has non-capital losses of approximately \$3,000,000 available for deduction against future taxable income. These losses, if not utilized, will expire commencing in 2004. Future tax benefits, which may arise as a result of these non-capital losses, have not been recognized in these consolidated financial statements and have been offset by a valuation allowances.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2004

14. COMMITMENTS

The Company is committed to future annual operating lease payments for its office premises as follows:

	\$
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2006	105,877
2007	112,336
2008	47,790

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of accounts receivable, due from related parties, bank indebtedness, accounts payable and accrued liabilities, advances payable, due to related party and obligations under capital lease. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value, unless otherwise noted.

Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to the timing and amount of collectibility of accounts receivable. The Company mitigated credit risk through standard credit and reference checks.

16. SEGMENTED INFORMATION

The Company operates in two one reportable segments, providing computer training and consulting services, and the development and marketing of educational software. No segmented financial information has been provided for the current year, as the educational software component is currently under development.

17. SUBSEQUENT EVENTS

In addition to other subsequent events disclosed previously in these notes to the financial statements, the following are additional events occurring subsequent to the year-end:

On June 15, 2005, 2,200,000 shares were issued through a unit private placement priced at \$0.165 per unit. Each unit consists of one share and one, 2 year, share purchase warrant. Each warrant entitles the holder to purchase one share for \$0.22.

Finder's fees, of 132,000 were paid in conjunction with the above private placement date June 15, 2005.

On September 19, 2005, Quizam announced an arrangement for a 130,000 unit private placement, for \$0.40 per unit. Each unit consist of one share and one, 2 year, share purchase warrant. Each warrant entitles the holder to purchase one additional sshare at \$0.50 per share.

On September 27, 2005 Quizam has increased the private placement, announced on September 19, 2005, from 325,000 to 365,000 units at \$0.40 per unit.

18 COMPARATIVES

Some of the comparative amounts have been reclassified to conform with the financial presentation used in the current year.

GORDON K. W. GEE
Chartered Accountant