
QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2008 AND 2007



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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

Phone: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

AUDITORS' REPORT

To the Shareholders of
Quizam Media Corporation

We have audited the consolidated balance sheet of Quizam Media Corporation as at May 31, 2008 and the consolidated statement of operations and comprehensive loss and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at May 31, 2007 and for the year then ended, prior to adjustments as outlined herein in note 21, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated September 28, 2007. We have audited the adjustments to the 2007 consolidated financial statements outlined in Note 21, and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

September 26, 2008

QUIZAM MEDIA CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT MAY 31, 2008 AND 2007

	2008 \$	(Restated - Note 21) 2007 \$
ASSETS		
Current		
Cash and cash equivalents	68,877	371,243
Short-term investments	70,404	120,000
Accounts receivable	54,174	47,568
Prepaid expenses and deposits	9,546	10,925
Goods and services tax recoverable	7,381	12,601
Loans receivable (Note 17)	10,176	-
	220,558	562,337
Property and equipment (Note 5)	37,982	43,813
	258,540	606,150
LIABILITIES		
Current		
Accounts payable and accrued liabilities	89,418	87,088
Deferred revenue	6,567	-
Current portion of obligation under capital leases (Note 5)	-	13,633
Current portion on debt settlement (Note 7)	-	28,000
Due to a related party (note 15)	123,211	397,598
	219,196	526,319
SHAREHOLDERS' EQUITY		
Shareholders' deficiency		
Share capital (Note 8)	7,218,221	5,834,633
Contributed Surplus (Note 11)	307,907	372,203
Deficit	(7,486,784)	(6,127,005)
	39,344	79,831
	258,540	606,150

Nature of Operations and Continuance of Business [Note 1]
 Commitments [Note 19]
 Subsequent Events [Note 20]

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

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

	2008	(Restated - Note 21) 2007
	\$	\$
REVENUES		
License fees (Note 13)	—	851,175
Training services and software sales	459,150	344,351
	<hr/> 459,150	<hr/> 1,195,526
EXPENSES		
Accounting and legal	132,045	92,590
Advertising and promotion	78,622	25,093
Amortization	33,583	26,826
Automobile	24,784	20,869
Bank charges and interest	3,618	8,464
Interest on related party debt	6,716	8,589
Foreign exchange loss	—	48,975
Management fees	72,000	72,000
Office and miscellaneous	75,630	62,739
On-Track TV development costs	76,049	36,771
Quizam software development costs (Note 14)	514,705	639,208
Regulatory fees	28,768	34,418
Rents	151,920	121,574
Subcontractors	26,519	14,679
Telephone	21,304	21,684
Travel and business development	139,427	94,512
Investor/finance development	34,925	—
Trade shows	20,398	—
Wages and benefits	313,609	243,503
Stock based compensation (Note 9)	71,145	201,222
	<hr/> 1,825,767	<hr/> 1,773,716
LOSS BEFORE OTHER ITEMS	<hr/> (1,366,617)	<hr/> (578,190)
OTHER ITEMS		
Interest income	6,838	1,183
Insurance claims	—	5,934
Write-off of accounts receivable (Note 13)	—	(802,200)
	<hr/> (1,359,779)	<hr/> (1,373,273)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	<hr/> (1,359,779)	<hr/> (1,373,273)
DEFICIT, BEGINNING OF YEAR (RESTATED - NOTE 21)	<hr/> (6,127,005)	<hr/> (4,753,732)
DEFICIT, END OF YEAR	<hr/> (7,486,784)	<hr/> (6,127,005)
WEIGHTED AVERAGE LOSS PER SHARE BASIC AND DILUTED	<hr/> (0.11)	<hr/> (0.15)
WEIGHTED AVERAGE NUMBER OF SHARES	<hr/> 12,189,172	<hr/> 9,238,540

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

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

	2008	(Restated - Note 21) 2007
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(1,359,779)	(1,373,273)
Items not affecting cash:		
Amortization	33,583	26,826
Foreign exchange loss	—	48,975
Write-off of accounts receivable	—	802,200
Stock based compensation	71,145	201,222
	(1,255,051)	(294,050)
Changes in non-cash working capital items:		
Accounts receivable	(6,606)	(879,903)
Prepaid expenses and deposits	1,379	(4,416)
Goods and services tax recoverable	5,220	(2,826)
Accounts payable and accrued liabilities	2,330	36,593
Deferred revenue	6,567	—
Asset portion on debt settlement	—	(5,600)
CASH USED IN OPERATING ACTIVITIES	(1,246,161)	(1,150,202)
FINANCING ACTIVITIES		
Repayments to related parties	(274,387)	292,641
Payment of capital lease obligations	(13,633)	(13,632)
Issuance of share capital	1,248,147	1,104,260
Payments towards debt settlement	(28,000)	(28,000)
CASH PROVIDED BY FINANCING ACTIVITIES	932,127	1,355,269
INVESTING ACTIVITIES		
Loans receivable	(10,176)	—
Redemption (purchase) of short term investments	49,596	(120,000)
Acquisition of equipment	(27,752)	(23,568)
CASH USED IN INVESTING ACTIVITIES	11,668	(143,568)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(302,366)	61,499
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	371,243	309,744
CASH AND CASH EQUIVALENTS – ENDING OF THE YEAR	68,877	371,243
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Issuance of shares for finders' fees	38,507	27,950
SUPPLEMENTAL INFORMATION		
Interest paid	6,716	12,373
Income tax paid	—	—

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

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 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. 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, 2007, the Company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook section 1506, "Accounting Changes", permitting accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles ("GAAP"), or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless impracticable. Any prior period errors identified also require retroactive application. The revised standards did not have any material impact on the Company's financial statements.

Effective June 1, 2007, the Company adopted new CICA Handbook Sections 3855 "Financial Instruments - Recognition and Measurement", CICA 3861 "Financial Instruments - Disclosure and Presentation", CICA 3865 "Hedges", CICA 1530 "Comprehensive Income", CICA 3051 "Investments" and CICA 3251 "Equity". The new Handbook Sections establish standards governing the recognition, measurement, disclosure and presentation of financial instruments, when and how hedge accounting may be applied, the reporting and presentation of comprehensive income, accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. The Company does not have any hedging relationships or investments that fall under these standards. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

In accordance with CICA 1530, "Comprehensive Income", and CICA 3251, "Equity", these sections provide standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income includes net income plus changes in unrealized gains or losses from changes in the fair market value of available-for sale investments, changes in the fair value of derivatives designated as cash flow hedges and currency translation adjustments on self-sustaining foreign operations. The Company does not have any available-for sale investments, derivative instruments or self-sustaining foreign operations.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

2. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Under CICA 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant Handbook Section 3840, "Related Party Transactions". Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is impaired or sold at which time the amounts will be recorded in net income; financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for trading are measured at amortized cost, using the effective interest method of amortization. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalized and presented as a reduction of the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This Section does not permit the restatement of financial statements of prior periods.

The Company classified its financial instruments as follows:

Cash and cash equivalents	held-for trading
Short term investments	held-for trading
Accounts receivable	loans and receivables
Loans receivable	loans and receivables
Accounts payable	other financial liabilities
Due to related party	other financial liabilities

In addition, the Company has elected to account for transaction costs related to the acquisition or issuance of financial instruments as a reduction of the carrying value of the related financial instruments except for those classified as available for sale which are expensed as incurred. The Company did not have any held-to-maturity instruments and outstanding contracts with embedded derivatives at June 1, 2007.

As at May 31, 2008, the Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, loans receivable, accounts payable and due to related parties. The fair values approximate their carrying values due to the short-term maturity of the instruments. The Company is not exposed to significant interest rate, currency exchange rate or credit risk arising from these financial instruments. The Company is not party to any derivative instruments. There were no opening adjustments recorded on the adoption of these standards.

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 transaction and balances have been eliminated upon consolidation.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) Property and equipment

Property and equipment are 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

(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.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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.

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.

(j) 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.

(k) 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.

(l) 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.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

4. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and is effective for interim and annual periods relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

In May 2007, the Accounting Standards Board issued CICA Handbook Section 3031, "Inventories". Section 3031 introduces changes to the measurement and disclosure of inventory and converges with international financial reporting standards and is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862, "Financial Instruments - Disclosure" and Section 3863, "Financial Instruments - Presentation" which replace Section 3861, "Financial Instruments - Disclosure and Presentation". Section 3862 increases the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. This section carries forward the former presentation requirements and is effective for fiscal years beginning on or after October 1, 2007. The Company is currently assessing the impact of the new disclosure standard and has not yet determined its impact on the Company's 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.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
	\$	\$	\$	\$
Automobile - capital lease	64,052	64,052	—	12,810
Computer hardware	317,465	281,115	36,350	28,255
Furniture and fixtures	68,959	68,959	—	571
Library	2,721	1,088	1,632	2,177
	<u>453,197</u>	<u>415,214</u>	<u>37,982</u>	<u>43,813</u>

On May 31, 2003, the Company acquired an automobile under a capital lease primarily for the benefit of a significant shareholder who is a director and the president of the Company. The final portion of the lease payment in the amount of \$13,633 was paid in June 2007.

6. LINE OF CREDIT

As at May 31, 2008, 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.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

7. DEBT SETTLEMENT

During the year 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 approval. The proposal consisted of a restructuring of \$332,000 of current debt, by reversing \$220,000 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, ending March 31, 2008.

8. SHARE CAPITAL

	Number of Shares	(Restated - Note 21) \$
Authorized – 100,000,000 common shares without par value		
Issued as at May 31, 2006	8,257,533	4,597,482
For cash - Issued by private placement	520,385	338,251
For cash - Exercise of options	275,500	150,350
For cash - Exercise of warrants	1,499,891	615,659
Issued as finders' fees	43,000	27,950
Share issuance costs	–	(27,950)
Fair value of stock options exercised transferred from contributed surplus	–	132,891
Balance at May 31, 2007	10,596,309	5,834,633
For cash - Issued by private placement	500,000	425,000
For cash - Exercise of options	216,307	120,499
For cash - Exercise of warrants	1,358,444	702,648
Issued as finders' fees	45,302	38,507
Share issuance costs	–	(38,507)
Fair value of stock options exercised transferred from contributed surplus	–	135,441
Balance at May 31, 2008	12,716,362	7,218,221

For the year ended May 31, 2008:

- On March 11, 2008, the Company completed a non-brokered private placement consisting of 500,000 units at \$0.85 per unit for proceeds of \$425,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$1.10 for the first six months and \$1.75 for the second six-month period, expiring on March 11, 2009. In connection with the private placement, the Company issued 45,302 shares as finders' fees with a fair value of \$38,507 and recorded as share issuance costs.
- In the current year, 216,307 options were exercised at prices ranging from \$0.50 to \$1.30 per share for proceeds of \$120,499. The fair value, when granted, of \$135,441 was transferred to share capital from contributed surplus to reflect the exercise of these options.
- In the current year, 1,358,444 warrants were exercised at prices ranging from \$0.22 to \$1.30 per share for proceeds of \$702,648.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

8. SHARE CAPITAL (continued)

For the year ended May 31, 2007:

- (a) On January 8, 2007, the Company completed a non-brokered private placement consisting of 520,385 units at \$0.65 per unit for proceeds of \$338,251. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.90 for 1st 6 months and \$1.30 for 2nd 6 months, expiring on January 8, 2008. In connection with the private placement, the Company issued 43,000 shares as finders' fees with a fair value of \$27,950 and recorded as share issuance costs.
- (b) In the current year, 275,500 options were exercised at prices ranging from \$0.50 to \$0.70 per share for proceeds of \$150,350. The fair value, when granted, of \$132,891 was transferred to share capital from contributed surplus to reflect the exercise of these options.
- (c) In the current year, 1,499,891 warrants were exercised at prices ranging from \$0.17 to \$2.00 per share for proceeds of \$615,659.

Escrow

As at May 31, 2008, 32,043 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.

9. STOCK OPTIONS

(a) 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 of shares	Weighted Average Exercise Price \$
Outstanding, May 31, 2006	531,500	0.53
Granted	270,000	1.13
Exercised	(275,500)	0.55
Cancelled/expired	(87,000)	0.67
Outstanding, May 31, 2007	439,000	0.86
Granted	153,000	0.80
Exercised	(216,307)	0.56
Cancelled/expired	(228,693)	1.15
Outstanding, May 31, 2008	147,000	0.80

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

9. STOCK OPTIONS (continued)

(a) Stock option plan and stock options issued

At May 31, 2008, the following share purchase options were outstanding:

Number of Options	Exercise Price \$	Expiry Date
147,000	\$0.80	November 20, 2008

The fair value for stock options granted was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2008	(Restated - Note 21) 2007
Risk free interest rate	3.80%	3.93% – 4.37%
Expected life (in years)	1	1 – 2
Expected volatility	106%	110% – 165%
Dividend yield	–	–

(b) Stock-based compensation

Total stock-based compensation expense recognized for stock options granted during the year was \$71,145 (2007 - \$201,222) and was charged to operations for options granted to directors, officers and consultants of the Company.

The weighted average grant date fair value of options granted during the year was \$0.47 (2007 – \$0.46) per option.

10. SHARE PURCHASE WARRANTS

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

	Number of shares	Weighted Average Exercise Price \$
Balance, May 31, 2006	3,309,241	0.42
Issued with private placements	520,385	0.90
Exercised	(1,499,891)	0.34
Expired	(881,291)	0.68
Balance, May 31, 2007	1,448,444	0.52
Issued with private placements	500,000	1.10
Exercised	(1,358,444)	0.49
Expired	(90,000)	1.30
Balance, May 31, 2008	500,000	1.10

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

10. SHARE PURCHASE WARRANTS (continued)

At May 31, 2008, the following share purchase options were outstanding:

Number of Options	Exercise Price \$	Expiry Date
500,000	\$1.10 to Sept. 11, 2008 or \$1.75 to March 11, 2009	March 11, 2009

11. CONTRIBUTED SURPLUS

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

	Amount \$
Balance, May 31, 2006 (Restated – Note 21)	303,872
Fair value of stock options granted	201,222
Fair value of stock options exercised and transferred to share capital	(132,891)
Balance, May 31, 2007	372,303
Fair value of stock options granted	71,145
Fair value of stock options exercised and transferred to share capital	(135,441)
Balance, May 31, 2008	307,907

12. SEGMENTED INFORMATION

(a) Training Services and Software Sales for the years ended May 31:

	2008	(Restated - Note 21) 2007
Revenue	459,150	344,351
Expenses	(871,932)	(747,710)
Profit (loss)	(412,782)	(403,359)

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

	2008	(Restated - Note 21) 2007
Revenue	–	851,175
Expenses	(946,997)	(1,821,089)
Profit (loss)	(946,997)	(969,914)

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

13. LICENSE FEES

On August 31, 2006 the Company entered into an agreement with an African company for territorial distribution license for the Quizam educational software. The license fee was USD\$250,000, payable 90 days after translation of the program into Afrikaans. In addition, Quizam will receive 25% of gross profit, represented by sales less direct costs, from revenues generated in South Africa.

On November 30, 2006 the Company sold a territorial distribution license for the Gulf States of Qatar, Kuwait, Oman, Bahrain, Saudi Arabia and the United Arab Emirates. The license fee was USD\$500,000, payable 90 days after translation of the program into Arabic. In addition, Quizam will receive 25% of all revenues generated in the Gulf States.

As at May 31, 2007 the Company was uncertain of the collectability accounts receivable from these licences and wrote-off the balance of \$802,200. Refer to Note 21.

On November 16, 2007 the Company entered into an agreement with a British company for territorial distribution license for the Quizam educational software in the United Kingdom (England, Scotland, Wales, Northern Ireland and Southern Ireland). The license fee was CDN\$300,000, payable within 90 days of signing. In addition, Quizam will receive 25% of all revenues generated in the Territory.

On November 22, 2007 the Company entered into an agreement with another British company for territorial distribution license for the On-Track software in the United Kingdom (England, Scotland, Wales, Northern Ireland and Southern Ireland). The license fee was CDN\$150,000, payable within 90 days of signing. In addition, On-Track will receive 30% of all revenues generated in the Territory.

As the collection of these license fees is not reasonably assured, the Company has not yet recognized any revenues with respect to these licenses.

14. PRODUCT DEVELOPMENT COSTS

During the current year, the Company concentrated its efforts on the development and marketing of the Quizam educational software. This activity has resulted in a second version of the educational software, which has also been adapted for compatibility with the Mac platform format. The software has been actively promoted in the United Kingdom and various world markets.

The costs associated with development of the Quizam educational software, which are included in the statement of operations and deficit, are as follows:

	2008	2007
	\$	\$
Salary, wages and fees (management, programming and marketing)	417,073	402,983
Materials	6,334	71,842
Marketing	68,718	89,923
Advertising and promotion	22,580	74,460
	<hr/> 514,705	<hr/> 639,208

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

15. RELATED PARTY TRANSACTIONS

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

The Company owes \$123,211 (2007 - \$397,598) 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. The Company further owes \$19,709 (2007 - \$7,532) to this shareholder for credit card expenses, which is unsecured, non-interest bearing and due when the credit card comes due.

Related party transactions not otherwise disclosed elsewhere in these financial statements were:

Management, administration, accounting and software development are provided by a company owned by a significant shareholder. \$506,700 (2007 - \$435,147) was paid for these services during this year.

Marketing and publicity fees totalling \$26,400 (2007 - \$43,868) were paid to a company owned by a relative of one of the directors.

Marketing and publicity fees totalling \$56,680 (2007 - \$65,400) were paid to relatives of one of the directors.

A significant shareholder was paid \$6,716 (2007 - \$8,589) 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.

16. 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.

17. LOANS RECEIVABLE

The Company has developed a program where it shares marketing and sales expenses with its licensees. Any monies advanced to licensees will take the form of an interest bearing loan and must be paid back to the company. Thus far £5,000 pounds have been advanced to the UK Licensee. The loans bear an interest rate of 4% annually.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

18. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2008	(Restated - Note 21) 2007
	\$	\$
Canadian statutory income tax rate	33.03%	34.10%
Net loss before tax per financial statements	(1,359,779)	(1,373,273)
Income tax recoverable at statutory rates	449,161	468,286
Permanent differences	(15,044)	(12,500)
Change in enacted rates	(79,133)	–
Increase in valuation allowance	(246,306)	(272,929)
Expiry of losses	(108,678)	(182,857)
Income tax recoverable	–	–

The tax effects of temporary differences that give rise to significant portions of the future tax liability are as follows:

	2008	(Restated - Note 21) 2007
	\$	\$
Future effective tax rate	33.03%	34.10%
Future income tax assets (liabilities)		
Non-capital losses carried forward	1,596,194	1,364,588
Property and equipment	14,158	5,762
Share issuance costs	11,894	5,590
Valuation allowance	(1,622,246)	(1,375,940)
Net future income tax assets	–	–

The Company has approximately \$6,384,000 (2007 – \$5,458,000) of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2009	502,000
2010	992,000
2014	913,000
2015	662,000
2026	909,000
2027	1,151,000
2028	1,255,000
	<u>6,384,000</u>

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

18. INCOME TAXES (continued)

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

19. COMMITMENT

The Company has signed an office lease through to October 2010 and is committed to the following minimum lease payments during the next three fiscal years under the lease for its premises:

	\$
2009	102,904
2010	108,648
2011	46,267

20. SUBSEQUENT EVENTS

In August 2008, the Company completed a non-brokered private placement consisting of 480,000 units issued at a price of \$0.75 per unit for gross proceeds of \$360,000. Each unit comes with one common share and one share purchase warrant. Each warrant expires after one year from the closing date and will entitle the holder to purchase one common share of the Company at a price of \$1.00 per share for the first six months and \$1.65 per share for the subsequent six months.

Subsequent to the year end, 55,000 stock options were exercised by various option holders at an exercise price of \$0.80.

21. RESTATEMENT

The Company's 2007 financial statements were restated as a result of management not correctly writing-off \$802,200 of doubtful accounts receivable and incorrectly translating and recording the foreign exchange loss associated with these receivables. In addition, there was improper recording of stock based compensation and contributed surplus due to inappropriate application of the Black-Scholes option pricing model and CICA HB 3870. The inappropriate application of the Black-Scholes option pricing model and CICA HB 3870 resulted in an adjustment of \$338,369 to the opening deficit of 2007. Accordingly the Company restated the fiscal 2007 financial statements to give effect to the above items.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MAY 31, 2008 AND 2007**

21. RESTATEMENT (continued)

The effect of these restatements is summarized in the following table:

	May 31, 2007 As Reported \$	Adjustment \$	Ref	May 31, 2007 As Restated \$
Balance Sheet				
Accounts receivable	761,833	(714,265)	(a-d)	47,568
Share capital	(5,763,790)	(70,843)	(e)	(5,834,633)
Contributed surplus	(18,564)	(353,639)	(e-g)	(372,203)
Deficit	(4,988,258)	(1,138,747)		(6,127,005)
	May 31, 2007 As Reported \$	Adjustment \$		May 31, 2007 As Restated \$
Statement of Loss and Deficit				
License fees	(735,000)	(116,175)	(a)	(851,175)
Training services and software sales	(323,616)	(20,735)	(b)	(344,351)
Foreign exchange loss	–	48,975	(c)	48,975
Stock-based compensation	115,109	86,113	(f)	201,222
Write-off of A/R	–	802,200	(d)	802,200
Net Loss for the Year	(572,895)	(800,378)		(1,373,273)
Deficit, Beginning of Year	(4,415,363)	(338,369)	(g)	(4,753,732)
Deficit, End of Year	(4,988,258)	(1,138,747)		(6,127,005)

Basic and diluted net loss per share increased by \$0.09 after the restatement adjustments.

- (a) to adjust revenues and accounts receivable to actual,
- (b) to add back \$20,735 to accounts receivable incorrectly reversed from training services and software sales and netted against accounts receivable,
- (c) to adjust 2007 year end balance with correct foreign currency exchange loss of \$48,975,
- (d) to write-off accounts receivable balance on uncollectable amount of \$802,200,
- (e) to record correct fair value of options exercised in the 2007 and prior years and transferred from contributed surplus,
- (f) to record correct fair value of stock options granted in the 2007 fiscal year,
- (g) to record correct fair value of stock options granted in the 2006 fiscal year.

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

Internal Controls and Procedures over Financial Reporting

The Company's management is responsible for establishing and maintaining controls over financial reporting. The internal controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. The internal controls have an inherent weakness in that the accounting team is small and the work area is non-segregated. At this time it is not practical or cost efficient to increase the area or team.

The CEO and CFO continually review and oversee the accounting team to ensure reasonable controls and processes. They have reconsidered their assessment of internal control financial reporting as of May 31, 2007, and concluded that, due to the inaccurate recording of foreign exchange, stock-based compensation, and the assessment of the collectability of certain receivables, there was a material weakness in internal control over preparation of financial reporting as of May 31, 2007.

Notwithstanding the above in July, 2008 the BCSC identified several reporting deficiencies on the part of the company. Management admits that there were deficiencies. We feel that future filings will be fully compliant and that the controls in place will give reasonable assurance that relevant and reliable financial information is available for reporting and for the preparation of financial statement in accordance with GAAP based on the following:

1) The review process with the BCSC has high-lighted the deficient areas. In future, in addition to a more stringent internal review of our disclosures we will pay additional attention to the areas that the BCSC identified as deficient.

Date of Information

1.1 September 29th, 2008

Overall Performance and Results of Operation

.2 The company's cash position continues to be strong. Our accounts receivables have increased due to Quizam Licence fees that have not yet been paid for. Our training division continues to improve its performance and management feels we are gaining more market share every

quarter.

It appears that trends in the marketplace are favoring both of Quizam's products. The demand for Corporate Computer training is being fueled by the increased reliance on computers in the workplace coupled with the continued releases of new products from software producers like MicroSoft. The demand for Academic Quizing software is increasing as the academic world becomes more and more competitive. The company is discovering that parents are eager to purchase any aids available that might help their children score higher in school. We see this trend continuing as preliminary test market advertising to parents of school children has shown positive results.

The company's general revenue has decreased by \$736,376 from \$1,195,526 for the year ended May 31, 2007 to \$459,150 for the year ended May 31, 2008. This decrease was the result of the company not selling any global licenses during 2008. The company has had some interest from outside parties regarding the global licenses, however the company's new policy requires all global licenses to be paid in full up front before the license is executed. It should be noted that the Training and Software sales portion of revenue is increased to \$459,150 (2007 - \$344,351) representing a 33% increase over 2007.

The Company's net loss for the year decreased by \$13,494 from \$1,373,273 for the year ended May 31, 2007, to \$1,359,779 for the year ended May 31, 2008. Our product development costs decreased by \$124,503 from \$639,208 for the year ended May 31, 2007, to \$514,705 for the year ended May 31, 2008. This decrease in product development costs was attributable to the fact that Quizam software is vitually complete. Like all software there will be further versions but the base structure of Quizam software is intact.

The main reason for the decrease in net loss was a write off of \$802,200 of receivables that were deemed uncollectible during the year ended May 31, 2007. There were no write-offs of bad debt during 2008 as a result of the Company's licensing policy changes. This decrease was offset by the decrease in revenue during the year ended May 31, 2008. During the year ended May 31, 2008, there was a decrease in stock-based compensation to \$71,145 from \$201,222 during the year ended May 31, 2007. Stock-based compensation expense decreased because not as many stock options were issued and Quizam stock was not as liquid as it had been in the past.

During the year ended May 31, 2008, advertising and promotion expenses increased to \$78,622 from \$25,093. This increase in advertising and promotional expenses is attributable to a new radio advertising campaign. Rents also increased during the year ended May 31, 2008, to \$151,920 from \$121,574 during the year ended May 31, 2007. This increase was due to markets in Vancouver being extremely tight causing high increases in commercial rents.

During the year ended May 31, 2008, travel and business development expenses increased to \$139,427 from \$94,512. This increase in travel and business development expenses is

attributable to the company participating in more trade shows and more global business being developed in the UK and Europe. Wages and benefits also increased during the year ended May 31, 2008, to \$313,609 from \$243,503 during the year ended May 31, 2007. This increase was due to extra staff hired for training and individual software sales.

The company has been very effective in networking globally. Through international trade shows and internet marketing the company has been able to sign up license deals. Management feels that the growing use of the internet will help to improve the awareness and consequent demand for the Quizam product.

Management sees the demand for Quizam's products increasing. The global increased use of cell phones and internet, together with an increased appreciation for education and training will give the company excellent strategic positioning.

The company is continuing to add quizzes to its internet library. Many of the topics are classic and timeless. As this library continues to grow it becomes a value asset to the company. The company is exploring ways of accelerating the growth of this library either through corporate purchases of content or perhaps a "community" sharing model where quizzes can be added by global users. In either case management sees this inventory increasing in value as time goes on.

With regards to Corporate Training, the challenge for the Company is to develop a quality attractive internet medium that will attract corporate users to learn on-line. The Company has completed a complete set of On-Line Curriculum for its training division called ONtrackTV. Many corporations locally and abroad have shown interest in this high caliber video on demand learning system. We continue to add to the library increasing the appeal and demand for this new medium in 2008.

Selected Annual Information

	2008	2007	2006
	Year-Ended May 31	Year-Ended May 31	Year-Ended May 31
a) Net Sales	459,150	1,195,526	251,552
b) Net Income (Loss)	(1,359,779)	(1,373,273)	(911,944)
c) Net Income (Loss)	(1,359,779)	(1,373,273)	(911,944)
d) Total Assets	258,540	606,150	391,939
e) Long-Term Liability	0	0	146,590
f) Cash Dividends	0	0	0

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

In 2005 Net Income and Net Profit enjoyed an approximate \$220,000 one time expense reversal because of a restructuring proposal with our creditors. The one time expense recovery resulted from a Proposal that was made to the general creditors of On Track Computer Training Ltd. ("On Track") pursuant to the provisions of the *Bankruptcy and*

Insolvency Act. The Proposal, which was accepted by the creditors and sanctioned by the Supreme Court of British Columbia, reduced the amount due to the general creditors (ie the one time expense recovery) and made it payable over 40 months (last payment March 2008).

During 2006 we streamlined operations and discontinued any training/educational business that didn't produce at least 56% gross profit. In 2007 our training revenue increased and we started selling Global Quizam Licenses. The streamlining in 2006 also helped the company to decrease its overall costs. Total assets in 2007 are higher due to the Global Licenses not being paid for and remaining on our receivables list. Global Licenses have now been taken off our receivable list.

Summary of Quarterly Results

1.5 For the Quarters Ended

Description	May 31 2008	Feb 28 2008	Nov 30 2007	Aug 31 2007	May 31 2007	Feb 28 2007	Nov 30 2006	Aug 31 2006
Net Sales	143499	97509	130390	87752	266424	336231	306137	286734
Income or (loss) before other items	(751647)	(207719)	(167830)	(239421)	(885881)	70612	105973	131106
Net Income or (loss) for the period	(329959)	(347882)	(305012)	(376926)	(1209607)	(188234)	19207	5361
Shares Issued	12656439	14877766	14807772	5365184	8257533	7069665	4954437	4572187
Per Share	(0.026)	(0.023)	(0.021)	(0.026)	(0.04)	(0.03)	(0.04)	(0.04)

Over the last 8 quarters the significant changes in revenue can be attributed to the Quizam Territory Licenses. No global licenses were sold during the last quarter ending May 31, 2007 or during the year ended May 31, 2008. The company sold territory licences in the quarters ending February 28, 2007, November 30, 2006, and August 31, 2006. Notwithstanding the Territory Licenses the company continues to see increases in quarterly revenue from education and training. The company is experiencing an exchange rate charge for those licences as they were charged in US funds when they entered the receivables ledger. Since that time the strengthening Canadian dollar has reduced the value of that charge. In future all of our global Licence sales will be in Canadian dollars.

Liquidity and Capital Resources

.6 The company's liquidity has decreased from May 31, 2008 to May 31, 2007.

	May 2008	May 2007
Cash in the Bank	68,877	371,243
Short-term investments	70,404	120,000

Accounts & Loans Receivable & Prepaid Expenses	81,277	71,094
Account Payable & Accrued Liabilities	89,418	87,088

As at May 31, 2008, the company had cash of \$68,877 and working capital of \$1,362, compared to cash of \$371,243 and working capital of \$64,018 at May 31, 2007.

During the year ended May 31, 2008 the Company used \$1,246,161 of cash for operating activities. The company has financed its operations for the last two years mainly through the issuance of share capital. The company has raised \$1,248,147 and \$1,104,260 through the issuance of share capital during the years ended May 31, 2008 and 2007, respectively. The Company also received \$292,641 from related parties during the year ended May 31, 2007 and repaid \$274,387 during the year ended May 31, 2008.

Over the past year the company has incurred losses as it continues to develop its software products. Though revenues are increasing the company continues to be dependant on its cash reserves and future financings.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when required, the Company may be required to delay or scale back its software development and marketing. Any equity offerings will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Currently the Company has sufficient funds to meet its requirements for the coming year however it will continue to improve its cash positions by focusing on increasing sales, improving profitability and equity financings.

Subsequent Events

1.8 The following events occurred subsequent to May 31, 2008:

1) In August 2008, the Company completed a non-brokered private placement consisting of 480,000 units issued at a price of \$0.75 per unit for gross proceeds of \$360,000. Each unit comes with one common share and one share purchase warrant. Each warrant expires after one year from

the closing date and will entitle the holder to purchase one common share of the Company at a price of \$1.00 per share for the first six months and \$1.65 per share for the subsequent six months.

2) Subsequent to the year end, 55,000 stock options were exercised by various option holders at an exercise price of \$0.80.

Transactions with Related Parties

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

The Company owes \$123,211 (2007 - \$397,598) 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. The Company further owes \$19,709 (2007 - \$7,532) to this shareholder for credit card expenses, which is unsecured, non-interest bearing and due when the credit card comes due.

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. \$506,700 (2007 - \$435,147) was paid for these services during this year.
- b) Marketing and publicity fees totaling \$26,400 (2007 – \$43,868) were paid to a company owned by a relative of one of the directors.
- c) Marketing and publicity fees totaling \$56,680 (2007 – \$65,400) were paid to relatives of one of the directors.
- d) Significant shareholders were paid \$6,716 (2007 - \$5,447) in interest on loans to the Company.
- e) 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.

Fourth Quarter

.10The 4th Quarter revenue was roughly \$143,000. This is weaker than the preceding 4th Quarter mostly due to the re organization of our global Quizam License Sales. The company is

improving the design of the Global License program to accelerate payment for license and royalty fees. This redesign temporarily delayed the registration of new Licensees. Management anticipates more Country Licenses coming on board in the coming quarters.

The training revenues were up roughly 50% compared to the previous quarter. When compared to the same quarter in the previous year training revenues were up 50% as well.

Proposed Transactions

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

- a) Maintain control over expenses with a disciplined focus on overall profitability.
- b) Continue to grow the Quizam Business Model as follows:
 - 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
 - 4) Sell directly to parents and students using Infomercials and “Affiliate Selling”
- 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 know as On-Track TV
- e) Expand the On-Track TV model to include education training other than computers

Changes in Accounting Policies

1.13 Recently Adopted Accounting Policies

Effective June 1, 2007, the Company adopted new Canadian Institute of Chartered Accountants (“CICA”) Handbook section 1506, "Accounting Changes", permitting accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles (“GAAP”), or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless impracticable. Any prior period errors identified also require

retroactive application. The revised standards did not have any material impact on the Company's financial statements.

Effective June 1, 2007, the Company adopted new CICA Handbook Sections 3855 "Financial Instruments - Recognition and Measurement", CICA 3861 "Financial Instruments - Disclosure and Presentation", CICA 3865 "Hedges", CICA 1530 "Comprehensive Income", CICA 3051 "Investments" and CICA 3251 "Equity". The new Handbook Sections establish standards governing the recognition, measurement, disclosure and presentation of financial instruments, when and how hedge accounting may be applied, the reporting and presentation of comprehensive income, accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. The Company does not have any hedging relationships or investments that fall under these standards. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

Financial Instruments

In accordance with CICA 1530, "Comprehensive Income", and CICA 3251, "Equity", these sections provide standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income includes net income plus changes in unrealized gains or losses from changes in the fair market value of available-for sale investments, changes in the fair value of derivatives designated as cash flow hedges and currency translation adjustments on self-sustaining foreign operations. The Company does not have any available-for sale investments, derivative instruments or self-sustaining foreign operations.

Under CICA 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant Handbook Section 3840, "Related Party Transactions". Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is impaired or sold at which time the amounts will be recorded in net income; financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for trading are measured at amortized cost, using the effective interest method of amortization. This new section also requires that transaction costs incurred in connection with the issuance of

financial instruments either be capitalized and presented as a reduction of the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This Section does not permit the restatement of financial statements of prior periods.

The Company classified its financial instruments as follows:

Cash and cash equivalents	held-for trading
Accounts receivable	loans and receivables
Loans receivable	loans and receivables
Goods and services tax recoverable	loans and receivables
Accounts payable	other financial liabilities
Due to related party	other financial liabilities

In addition, the Company has elected to account for transaction costs related to the acquisition or issuance of financial instruments as a reduction of the carrying value of the related financial instruments except for those classified as available for sale which are expensed as incurred. The Company did not have any held-to-maturity instruments and outstanding contracts with embedded derivatives at June 1, 2007.

As at May 31, 2008, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, loans receivable, goods and services tax recoverable, accounts payable and due to related parties. The fair values approximate their carrying values due to the short-term maturity of the instruments. The Company is not exposed to significant interest rate, currency exchange rate or credit risk arising from these financial instruments. The Company is not party to any derivative instruments.

Future Accounting Changes:

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and is effective for interim and annual periods relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

In May 2007, the Accounting Standards Board issued CICA Handbook Section 3031, "Inventories". Section 3031 introduces changes to the measurement and disclosure of inventory and converges with international financial reporting standards and is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862, “Financial Instruments - Disclosure” and Section 3863, “Financial Instruments - Presentation” which replace Section 3861, “Financial Instruments - Disclosure and Presentation”. Section 3862 increases the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. This section carries forward the former presentation requirements and is effective for fiscal years beginning on or after October 1, 2007. The Company is currently assessing the impact of the new disclosure standard and has not yet determined its impact on the Company’s financial statements.

In October 2006, the Accounting Standards Board issued CICA Handbook Section 1535, “Capital Disclosures”, which establishes standards for disclosing information about an entity’s capital and how it is managed. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company does not expect that the adoption of this standard will have a material impact on the Company’s 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.

Additional Information

Additional information about the company is available on SEDAR (Website: www.sedar.com)

Outstanding Share Data

The following table summarizes the outstanding share capital as of the date of the MD & A:

	Number of shares Issued or issuable
Common shares	12,716,362
Stock options available	147,000
Warrants	500,000

RESTATEMENT of Financials

The Company's financial statements for the six month period ended November 30, 2007 and the nine month period ended February 28, 2008 were restated as a result of management not correctly writing-off \$802,200 of doubtful accounts receivable and incorrectly translating and recording the foreign exchange loss associated with these receivables during the 2007 fiscal year and recognizing licensing revenue of \$460,012 during the fiscal quarter ended November 30, 2007 before collectability was reasonably assured. Accordingly the Company restated the fiscal quarters ended November 30, 2007 and February 28, 2008 to give effect to the above items.

The effects of these restatements are summarized in the following table:

	November 30, 2007		November 30, 2007
	As Reported	Adjustment	As Restated
	\$	\$	\$
Balance Sheet			
Accounts receivable	1214247	(1174277)	39970
Total assets	1550242	(1174277)	375965
	3 Months Ending November 30, 2007		3 Months Ending November 30, 2007
	As Reported	Adjustment	As Restated
	\$	\$	\$
Statement of Loss and Deficit			
Software Licensing	460012	(460012)	-
Income (loss) for the period	154910	(460012)	(305102)
Basic and diluted weighted average gain (loss) per share	0.01	(0.03)	(0.02)
	6 Months Ending November 30, 2007		6 Months Ending November 30, 2007
	As Reported	Adjustment	As Restated

	\$	\$	\$
Statement of Loss and Deficit			
Software Licensing	460012	(460012)	-
Income (loss) for the period	(222016)	(460012)	(682028)
Basic and diluted weighted average gain (loss) per share	(0.015)	(0.031)	(0.046)

	February 28, 2008		February 28, 2008
	As Reported	Adjustment	As Restated
	\$	\$	\$
Balance Sheet			
Accounts receivable	1199392	(1174277)	25115
Total assets	1488132	(1174277)	313855
	9 Months Ending February 28, 2008		9 Months Ending February 28, 2008
	As Reported	Adjustment	As Restated
	\$	\$	\$
Statement of Loss and Deficit			
Software Licensing	460012	(460012)	-
Income (loss) for the period	(569898)	(460012)	(1029910)
Basic and diluted weighted average gain (loss) per share	(0.038)	(0.031)	(0.069)