QUIZAM MEDIA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MAY 31, 2013 AND 2012

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MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Quizam Media Corporation

We have audited the accompanying consolidated financial statements of Quizam Media Corporation which comprise the consolidated statements of financial position as at May 31, 2013 and 2012 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quizam Media Corporation as at May 31, 2013 and 2012, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Quizam Media Corporation to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
September 27, 2013

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	May 31, 2013 $	May 31, 2012 $
ASSETS		
Current		
Cash and cash equivalents	37,531	7,949
Accounts receivable	26,757	35,475
Prepaid expenses and deposits	10,740	9,652
Taxes recoverable	691	5,840
Loans receivable (Note 4)	10,910	10,748
	86,629	69,664
Equipment (Note 3)	14,143	21,592
	100,772	91,256
LIABILITIES		
Current		
Accounts payable and accrued liabilities	123,385	134,593
Deferred revenue	18,290	20,410
Due to a related party (Note 11)	121,287	45,926
Promissory notes payable (Note 5)	130,779	119,088
	393,741	320,017
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 6)	11,783,166	11,181,855
Contributed surplus	755,335	621,525
Deficit	(12,831,470)	(12,032,141)
	(292,969)	(228,761)
	100,772	91,256

Nature of operations and continuance of business (Note 1)
Commitments (Note 16)
Subsequent events (Note 17)

APPROVED ON BEHALF OF THE BOARD ON SEPTEMBER 27, 2013:

/s/ “Russ Rossi”
Russ Rossi, Director

/s/ “Jim Rosevear”
Jim Rosevear, Director

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED MAY 31, 2013 AND 2012

(Expressed in Canadian dollars)

	2013 $	2012 $
REVENUES		
Training services and software sales	626,154	598,013
On-Track TV sales	25,622	39,558
	651,776	637,571
EXPENSES		
Accounting and legal	158,493	184,236
Automobile	13,421	19,393
Bank charges and finance fees (Note 11)	3,092	7,999
Depreciation	10,822	10,963
Interest on related party debt (Note 5 and 11)	36,592	24,696
Investor and finance development	74,687	42,877
Management fees	58,400	72,000
Office and miscellaneous	59,531	55,407
On-Track TV development costs (Note 10 and 11)	158,885	355,507
Regulatory fees	25,453	20,859
Rent	216,030	209,992
Software development costs (Note 10 and 11)	87,239	134,786
Share-based compensation (Note 7)	133,810	7,419
Subcontractors	65,228	99,199
Telephone	19,407	19,169
Travel and business development	77,548	102,819
Wages and benefits	237,652	285,821
	1,436,290	1,653,142
LOSS BEFORE OTHER ITEMS	(784,514)	(1,015,571)
OTHER ITEMS		
Gain on sale of equipment (Note 11)	4,100	–
Interest income	1,460	1,376
Loss on settlement of debt (Note 6)	(20,375)	–
NET LOSS AND COMPREHENSIVE LOSS	(799,329)	(1,014,195)
LOSS PER SHARE BASIC AND DILUTED	(0.02)	(0.04)
WEIGHTED AVERAGE NUMBER OF SHARES	32,054,904	24,406,372

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2013 AND 2012

(Expressed in Canadian dollars)

	2013 $	2012 $
OPERATING ACTIVITIES		
Net loss	(799,329)	(1,014,195)
Items not affecting cash:		
Depreciation	10,822	10,963
Loss on settlement of debt	20,375	–
Share-based compensation	133,810	7,419
	(634,322)	(995,813)
Changes in non-cash working capital items:		
Accounts receivable	8,718	17,902
Prepaid expenses and deposits	(1,088)	760
Taxes recoverable	5,149	1,157
Accounts payable and accrued liabilities	29,542	71,120
Deferred revenue	(2,120)	8,613
CASH USED IN OPERATING ACTIVITIES	(594,121)	(896,261)
FINANCING ACTIVITIES		
Advances from/to related parties	75,361	(263,751)
Issuance of promissory notes payable	11,691	119,088
Issuance of common shares, net	540,186	878,048
CASH PROVIDED BY FINANCING ACTIVITIES	627,238	733,385
INVESTING ACTIVITIES		
Payments received on loans receivable	(162)	2,089
Acquisition of equipment	(7,473)	(12,849)
Disposal of equipment	4,100	–
CASH USED IN INVESTING ACTIVITIES	(3,535)	(10,760)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,582	(173,636)
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	7,949	181,585
CASH AND CASH EQUIVALENTS – ENDING OF THE YEAR	37,531	7,949
NON-CASH FINANCING ACTIVITIES		
Issuance of shares for finders' fees	27,390	33,750
SUPPLEMENTAL INFORMATION		
Interest paid (Notes 5 and 11)	36,592	24,696
Income tax paid	–	–

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED MAY 31, 2013 AND 2012

(Expressed in Canadian dollars)

	Number of Common Shares	**Amount $**	**Contributed Surplus $**	**Deficit $**	**Total $**
As at May 31, 2011	39,418,709	10,303,807	614,106	(11,017,946)	(100,033)
Common shares issued	17,700,000	885,000	–	–	885,000
Issued as finder's fees	675,000	33,750	–	–	33,750
Share issuance costs	–	(40,702)	–	–	(40,702)
Share based compensation	–	–	7,419	–	7,419
Net loss for the year	–	–	–	(1,014,195)	(1,014,195)
As at May 31, 2012	57,793,709	11,181,855	621,525	(12,032,141)	(228,761)
Share consolidation (Note 6)	(28,896,840)				
Common shares issued	7,000,000	500,000	–	–	500,000
Issued as finder's fees	401,800	27,390	–	–	27,390
Share issuance costs	–	(29,204)	–	–	(29,204)
Warrants exercised	350,000	42,000	–	–	42,000
Issued for debt settlement	339,583	61,125	–	–	61,125
Share-based compensation	–	–	133,810	–	133,810
Net loss for the year	–	–	–	(799,329)	(799,329)
As at May 31, 2013	36,988,252	11,783,166	755,335	(12,831,470)	(292,969)

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

1. CORPORATE INFORMATION, NATURE AND CONTINUANCE OF OPERATIONS

Quizam 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's principal business activity consists of providing computer training and consulting services and marketing of a computer based educational program. The address of the Company's corporate office and its principal place of business is 1600-650 West Georgia Street, Vancouver, BC, V6B 4N7.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement and presentation

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 recognition of deferred income tax assets and share-based compensation. These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 2 (o). All amounts are expressed in Canadian dollars unless otherwise stated.

c) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiary, On-Track Computer Training Ltd. ("On-Track"). On-Track Computer Training Ltd. was incorporated in Canada and is 100% owned by Quizam Media Corporation. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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. The Company's functional and presentation currency is the Canadian dollar.

e) Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

f) Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Vehicle	5 years
Computer hardware	3 years
Furniture and fixtures	5 years
Library	5 years

g) Long-lived assets and impairment

The Company evaluates, on an ongoing basis, the carrying value of equipment, for indications of impairment at each statement of financial position date or if an indication of impairment occurs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

h) Loans receivable and notes payable

Loans receivable and notes payable are carried at amortised cost using the effective interest method. Finance charges are deferred and recognized over the life of the loan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred.

Share issue costs are charged to share capital when the related shares are issued. Deferred share issuance costs related to financing transactions that are not completed are charged to expenses.

j) Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred 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 enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which deductions and tax losses can be utilized.

k) Revenue recognition

i. Training revenue

Training revenues are recorded when a student attends a course, this is the date at which the stage of completion and costs of the transaction can be reliably measured, the amount of revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Company.

ii. On-Track TV revenue

On-Track TV revenues are those whereby customers sign up and pay for access to a video library. The revenues are recorded when access to the On-Track TV website has been granted and collection is probable.

iii. Software revenue

The Company records revenue from the sale of software when the customers download the software from the Company's website and collection is reasonably assured which is generally when direct payment is received.

iv. License fee revenue

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 probable, which is generally when payment is received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share-based payments

The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

m) Earnings (Loss) per share

Basic earnings (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 earnings (loss) per share on a fully diluted basis. As the effect of this dilution is to increase the reported earnings per share and reduce the reported loss per share and diluted per share amounts excludes all potential common shares if their effect is anti-dilutive.

n) Development costs

Development costs are expensed as incurred, except in cases where development costs meet certain identifiable criteria for deferral. The Company has not capitalized any product development costs during the year.

o) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, accounts receivable, loans receivable, accounts payable, due to related parties and promissory notes payable. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

At initial recognition management has classified financial assets and liabilities as follows:

i. Financial assets

The Company has recognized its cash and cash equivalents at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income. The Company has classified accounts receivable and loans receivable as loans and receivables. The Company has not classified any financial assets held to maturity or available for sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)

ii. Financial liabilities

The Company has recognized its accounts payable, due to related parties and promissory notes payable as other financial liabilities. Accounts payable are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

p) New accounting standards not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective for the Company on June 1, 2013

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New accounting standards not yet adopted

IAS 1 Presentation of Financial Statements - In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether or not they may be recycled to profit or loss in future periods.

IAS 32 Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with a corresponding amendment to IFRS 7.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, is effective for the Company beginning on June 1, 2013. Management does not expect that the adoption of these standards and interpretations will have a significant effect on the consolidated financial statements of the Company other than additional disclosures.

New accounting standards effective for the Company on June 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for the Company beginning on June 1, 2015. The Company has not yet began the process of assessing the impact that IFRS 9 will have on the consolidated financial statements or whether to early adopt this new requirement.

(Expressed in Canadian dollars)

3. EQUIPMENT

Cost	Computer Hardware	Furniture and Fixtures	Library	Vehicles	Total
As at May 31, 2011	$ 344,716	$ 69,241	$ 3,651	$ 64,052	$ 481,660
Additions	5,569	6,650	629	–	12,848
As at May 31, 2012	$ 350,285	$ 75,891	$ 4,280	$ 64,052	$ 494,508
Additions	2,703	669	–	–	3,372
Disposals	–	–	–	(64,052)	(64,052)
As at May 31, 2013	$ 352,988	$ 76,560	$ 4,280	$ –	$ 433,828
Accumulated Depreciation					
As at May 31, 2011	$ 325,834	$ 69,114	$ 2,954	$ 64,052	$ 461,954
Depreciation	9,434	1,242	286	–	10,962
As at May 31, 2012	$ 335,268	$ 70,356	$ 3,240	$ 64,052	$ 472,916
Depreciation	9,045	1,464	312	–	10,821
Disposals	–	–	–	(64,052)	(64,052)
As at May 31, 2013	$ 344,313	$ 71,820	$ 3,552	$ –	$ 419,685
Carrying Amounts					
Balance, May 31, 2012	$ 15,017	$ 5,535	$ 1,040	$ –	$ 21,592
Balance, May 31, 2013	$ 8,675	$ 4,740	$ 728	$ –	$ 14,143

4. 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. In fiscal 2010, the Company advanced £7,600 pounds (repayable at CDN $14,227 including interest) to Central Media Services Limited, a UK Licensee. The loan bears a fixed interest rate of 5% per annum calculated monthly. There are no fixed terms of repayment. At May 31, 2013, the balance due is $10,910 (2012 - $10,748) including interest.

5. PROMISSORY NOTES PAYABLE

On September 20, 2011, the Company signed a promissory note payable to a company owned by a significant shareholder in the principal sum of $125,000. The loan bears interest at 15% per annum. The note term is for a maximum of 12 months. However, the Company may pay parts or all of it off earlier. On September 20, 2012, the term of the note was amended and the note is now payable on demand. In fiscal 2013, the Company received an additional $73,450 of the promissory notes payable, repaid $20,000 in cash and directed note repayments totalling $60,000 towards 600,000 unit subscriptions within the March 2013 private placement described in Note 6. At May 31, 2013, the promissory note payable balance is $130,779 (2012 - $114,082) including interest and finance fees.

5. PROMISSORY NOTES PAYABLE (continued)

On May 29, 2012, the Company signed another promissory note whereby the Company was obligated to pay a company owned by a relative of one of the directors the principal sum of $15,000. The loan bears interest at 15% per annum. The term is for a maximum of 12 months. However, the Company may pay parts or all of it off earlier. During fiscal 2013, the Company received an additional $15,000 under the promissory note payable with the similar terms and directed note repayments totalling $21,000 towards 420,000 unit subscriptions within the November 2012 private placement described in Note 6. At May 31, 2013, the promissory note payable balance is $Nil (2012 - $5,006) including interest and finance fees.

6. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common voting shares without par value. Disclosures on any common shares issued are also provided in the Statements of Changes in Equity.

On October 16, 2012, the Company enacted a two for one common share consolidation. All current and comparative references to the number of shares, warrants, options, weighted average number of shares and loss per share have been restated to give effect to the two for one share consolidation.

Transactions for the year ended May 31, 2013:

In May 2013, the Company issued 339,583 common shares at $0.18 per share in settlement of debt of $40,750. The Company recorded a $20,375 loss on this debt settlement.

In March 2013, the Company completed a non-brokered private placement consisting of 3,000,000 units at $0.10 per unit for proceeds of $300,000. Each unit consists of one common share and one half of a share purchase warrant exercisable at a price of $0.25 for the first year and $0.35 for the second year expiring on March 6, 2014. In connection with the private placement, the Company issued 146,000 common shares as finders' fees with a fair value of $14,600.

In November 2012, the Company completed a non-brokered private placement consisting of 4,000,000 units at $0.05 per unit for proceeds of $200,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.12 and expiring on November 7, 2014. In connection with the private placement, the Company issued 255,800 common shares as finders' fees with a fair value of $12,790.

(Expressed in Canadian dollars)

7. STOCK OPTIONS

Stock option plan and stock options issued (post-share consolidation described in Note 6):

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 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 underlying shares	Weighted Average Exercise Price $
Outstanding, May 31, 2011	482,500	0.26
Cancelled/expired	(230,000)	0.22
Granted	240,000	0.20
Outstanding, May 31, 2012	492,500	0.24
Cancelled/expired	(430,000)	0.25
Granted	1,720,000	0.15
Outstanding, May 31, 2013	1,782,500	0.15

All of the options outstanding at May 31, 2013 and 2012 were fully vested.

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

	2013	2012
Risk free interest rate	1.09%	1.06%
Expected life (in years)	1.62	1.26
Expected volatility	168%	154%
Dividend yield	0%	0%

Total share-based compensation expense recognized for stock options granted during the year was $133,810 (2012 - $7,419) 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 $0.08 (2012- $0.04) per option.

The weighted average remaining contractual life of the stock options outstanding as at May 31, 2013 is 1.13 years (2012- 0.64 years).

(Expressed in Canadian dollars)

8. SHARE PURCHASE WARRANTS

The following table summarizes the continuity of the Company's share purchase warrants (post-share consolidation described in Note 6):

	Number of underlying shares	Weighted Average Exercise Price $
Balance, May 31, 2011	6,763,889	0.36
Issued in unit private placements	8,850,000	0.38
Expired	(6,763,889)	0.36
Balance, May 31, 2012	8,850,000	0.38
Issued in unit private placements	5,500,000	0.16
Exercised	(350,000)	0.12
Expired	(6,250,000)	0.40
Balance, May 31, 2013	7,750,000	0.27

At May 31, 2013, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price $	Expiry Date
2,600,000	$0.50	April 23, 2014
3,650,000	$0.12	November 7, 2013
1,500,000	$0.25/0.35	March 6, 2014/March 6, 2015
7,750,000		

9. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

The Company derives sales from training services and software sales.

(a) Training Services and UK On-Track TV Sales for the years ended May 31:

	2013 $	2012 $
Revenue	651,776	637,571
Expenses	(926,974)	(1,179,090)
Profit (loss)	(275,198)	(541,519)

(Expressed in Canadian dollars)

9. SEGMENTED INFORMATION (continued)

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

	2013 $	2012 $
Revenue	–	–
Expenses	(524,131)	(472,676)
Profit (loss)	(524,131)	(472,676)

The Company's operations are centralized whereby the Company's head office is responsible for the operational results. All of the Company's assets are in Canada. The Company's revenues include sales generated in Canada and in the U.K. as follows:

	2013 $	2012 $
Canada	637,528	598,013
U.K.	14,248	39,558

10. PRODUCT DEVELOPMENT COSTS

(a) On-Track TV

During fiscal 2013 and 2012, the Company finished a complete set of on-line curriculum for its training division called On-Track TV.

The costs associated with development of the On-Track TV, which are included in the statement of operations, and comprehensive loss and deficit, for the years ended May 31, 2013 and 2012 are as follows:

	2013 $	2012 $
Salary, wages and fees (management, programming and marketing)	155,843	351,809
Materials	1,336	1,361
Marketing	1,706	37
Advertising and promotion	-	2,300
	158,885	355,507

(b) Quizam software

The costs associated with development of the Quizam educational software, which are included in the statement of operations, and comprehensive loss and deficit, for the years ended May 31, 2013 and 2012 are as follows:

	2013 $	2012 $
Salary, wages and fees (management, programming and marketing)	86,899	129,200
Advertising and promotion	340	5,586
	87,239	134,786

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties as follows:

(a) The Company owes $121,557 (May 31, 2012 - $45,926) 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. During fiscal 2013 the Company directed debt repayments totalling $40,000 (2012 - $534,250) towards 600,000 (2012 – 5,347,500) unit subscriptions within the private placements described in Note 6.

(b) Management, accounting, investor and finance development, and product development are provided by a company owned by a significant shareholder. An amount of $253,918 (2012 - $453,348) was paid for these services during the year ending May 31, 2013.

(c) Marketing and publicity, investor and finance development, and product development fees totalling $167,963 (2012 - $112,286) were paid to a company owned by a relative of one of the directors.

(d) Product development fees totalling $26,688 (2012 - $49,515) were paid to relatives of one of the directors.

(e) During fiscal 2013 the Company paid $11,771 (2012 - $13,444) in interest on loan to a significant shareholder and $24,271 (2012 - $11,252) in interest and finance fees on promissory notes payable described in Note 5.

(f) The Company recognized share-based compensation to management and directors in the amount of $53,054 in 2013 (2012 - $ Nil).

(g) The Company sold a vehicle to a significant shareholder, who is also a director and officer, and realized a gain on sale of $4,100 (2012 - $Nil). The vehicle had been fully depreciated by the time of the sale.

12. INCOME TAXES

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

	2013 $	2012 $
Canadian statutory income tax rate	25.0%	25.9%
Net loss before tax per financial statements	(799,329)	(1,014,195)
Income tax recoverable at statutory rates	199,833	262,372
Permanent differences and other	(38,908)	1,601
Change in enacted rates	–	8,838
Unrecognized tax assets	(160,925)	(251,730)
Income tax recoverable	–	–

(Expressed in Canadian dollars)

12. INCOME TAXES (continued)

The tax effects of temporary differences that give rise to significant portions of the potential deferred tax assets are as follows:

	2013 $	2012 $
Future effective tax rate	25.0%	25.0%
Deferred income tax assets		
Non-capital losses carried forward	2,414,898	2,246,020
Capital assets and other	34,308	31,603
Share issuance costs	12,115	22,773
Unrecognized deferred tax assets	(2,461,321)	(2,300,396)
Net deferred income tax assets	–	–

The Company has approximately $9,659,596 (2012 – $8,979,222) of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	$
2014	912,812
2015	662,409
2026	834,329
2027	1,065,796
2028	1,255,435
2029	1,159,204
2030	980,292
2031	1,069,816
2032	1,039,129
2033	680,374
	9,659,596

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred 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 deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

13. CAPITAL DISCLOSURE

The Company's capital currently consists of common shares, options and warrants for a total amount of $12,538,501 (2012 – $11,803,380). 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.

(Expressed in Canadian dollars)

14. LINE OF CREDIT

As at May 31, 2013, the Company has a line of credit of $5,000 bearing interest at the bank's prime rate plus five percent. The line of credit is guaranteed by the assets of the Company. There was no outstanding balance as of May 31, 2013 and 2012.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, loans receivable, accounts payable, due to related parties and promissory notes payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2013 $	**2012** $
FVTPL (i)	37,531	7,949
Loans and receivables (ii)	37,667	46,223
Other financial liabilities (iii)	(325,209)	(245,916)

(i) Cash and cash equivalents
(ii) Accounts receivable and loans receivable
(iii) Accounts payable, amounts due to a related party and promissory notes payable

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market date.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

	Level	**2013** $	**2012** $
Cash and cash equivalents	1	37,531	7,949

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. To minimize its credit risk, the Company maintains substantially all of its cash with high quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. Credit risk from accounts receivable encompasses the default risk of its customers. The Company manages its exposure to credit risk by only working with reputable companies and by performing on-going credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed appropriate. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The following table provides information regarding the ageing of financial assets that are past due but which are not impaired as at May 31, 2013.

		Neither past due nor impaired	31-60 days	61-90 days	91 days +	Carrying value $
Trade accounts receivable	$	269	6,012	14,768	5,708	26,757

All of the 61 days and over balance outstanding at May 31, 2013 has been subsequently collected as at September 27, 2013.

Liquidity Risk - The Company ensures its holding of cash and cash equivalents is sufficient to meet its short-term exploration, development, and general and administrative expenditures. The Company's cash equivalents are invested in business guaranteed investment certificates which are immediately available on demand when required.

16. COMMITMENTS

The Company has extended an office lease through October 31, 2013 and is committed to lease payments of $105,120 in the next fiscal year.

17. SUBSEQUENT EVENTS

In September 2013, the Company completed a non-brokered private placement consisting of 8,800,000 units at $0.05 per unit for proceeds of $440,000. Each unit consists of one common share and one half of a share purchase warrant exercisable at a price of $0.12 expiring on September 12, 2014.