**QUIZAM MEDIA CORPORATION**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited – Prepared by Management)**

**FOR THE NINE MONTHS ENDED**

**FEBRUARY 28, 2014 AND 2013**

## Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established for a review of interim financial statements by an entity's auditors.

**QUIZAM MEDIA CORPORATION**

**CONDENSED INTERIM CONSOLIDATEDSTATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

| | February 28, 2014 $ | May 31, 2013 $ |
|---|---|---|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | – | 37,531 |
| Accounts receivable | 44,327 | 26,757 |
| Prepaid expenses and deposits | 61,535 | 10,740 |
| Taxes recoverable | 14,683 | 691 |
| Loans receivable (Note 4) | 8,289 | 10,910 |
| | 128,834 | 86,629 |
| Equipment (Note 3) | 37,398 | 14,143 |
| | 166,232 | 100,772 |
| LIABILITIES | | |
| Current | | |
| Bank Indebtedness | 7,371 | – |
| Accounts payable and accrued liabilities | 256,122 | 123,385 |
| Deferred revenue | 9,663 | 18,290 |
| Due to a related party (Note 10) | 54,952 | 121,287 |
| Promissory notes payable (Note 5) | 22,808 | 130,779 |
| | 350,916 | 393,741 |
| SHAREHOLDERS' DEFICIENCY | | |
| Share capital (Note 6) | 12,314,166 | 11,783,166 |
| Share subscriptions received (Note 15) | 198,950 | – |
| Contributed surplus | 755,335 | 755,335 |
| Deficit | (13,453,135) | (12,831,470) |
| | (184,684) | (292,969) |
| | 166,232 | 100,772 |

Nature of operations and continuance of business (Note 1)
Commitments (Note 14)
Subsequent events (Note 15)

APPROVED ON BEHALF OF THE BOARD ON APRIL 29, 2014:

/s/ "Russ Rossi"
Russ Rossi, Director

/s/ "Jim Rosevear"
Jim Rosevear, Director

**QUIZAM MEDIA CORPORATION**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

**FOR THE THREE MONTHS AND NINE MONTHS ENDED FEBRUARY 28, 2014, AND 2013**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

| | Three Months Ending February28 2014 $ | Three Months Ending February28 2013 $ | Nine Months Ending February 28 2014 $ | Nine Months Ending February 28 2013 $ |
|---|---|---|---|---|
| REVENUES | | | | |
| Training services and software sales | 104,187 | 141,515 | 433,015 | 434,713 |
| On-Track TV sales | 53,672 | 2,619 | 86,256 | 23,482 |
| UK Software Sales | – | – | 3,432 | – |
| | 157,859 | 144,134 | 522,703 | 458,195 |
| EXPENSES | | | | |
| Accounting and legal | 52,300 | 46,800 | 131,500 | 97,069 |
| Advertising and promotion | – | 240 | – | 480 |
| Automobile | 6,124 | 3,678 | 11,750 | 11,465 |
| Legal Fees | – | – | – | – |
| Bank charges and interest | 629 | 634 | 1,946 | 2,110 |
| Depreciation | 1,882 | 2,594 | 5,834 | 8,399 |
| Interest on related party debt (Note 5 &10) | (1,300) | 3,698 | 1,809 | 8,460 |
| Interest on promissory note | 834 | 6,804 | 833 | 19,487 |
| Investor and finance development | 46,785 | 13,287 | 103,084 | 38,166 |
| Management fees | 36,000 | 18,000 | 69,000 | 45,000 |
| Office and miscellaneous | 80,852 | 16,515 | 185,557 | 40,534 |
| On-Track TV development costs (Note 9) | 55,735 | 62,693 | 190,363 | 114,320 |
| Regulatory fees | 5,137 | 10,261 | 7,699 | 23,452 |
| Rents | 6,400 | 58,796 | 121,749 | 168,556 |
| Software development costs (Note 9) | 5,955 | 30,555 | 16,964 | 62,058 |
| Stock based compensation (Note 7) | – | 67,198 | – | 123,095 |
| Subcontractors | 18,254 | 13,282 | 36,507 | 52,850 |
| Telephone and internet | 5,529 | 4,918 | 16,636 | 15,639 |
| Travel and business development | 20,344 | 18,213 | 60,130 | 53,809 |
| Wages and benefits | 51,464 | 58,117 | 184,513 | 171,139 |
| | 392,924 | 436,283 | 1,145,874 | 1,056,088 |
| LOSS BEFORE OTHER ITEMS | (235,065) | (292,149) | (623,171) | (597,893) |
| Interest income | 863 | 462 | 1,133 | 1,066 |
| Gain on foreign Exchange | – | 4,100 | 373 | 4,100 |
| NET LOSSAND COMPREHENSIVE LOSS FOR THE PERIOD | (234,202) | (287,587) | (621,665) | (592,727) |
| WEIGHTED AVERAGE LOSS PER SHARE BASIC AND DILUTED | (0.02) | (0.03) | (0.04) | (0.06) |
| WEIGHTED AVERAGE NUMBER OF SHARES | 15,570,123 | 10,377,492 | 14,483,182 | 10,377,492 |

**QUIZAM MEDIA CORPORATION**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2014 AND 2013**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net loss | (621,665) | (592,727) |
| Items not affecting cash: | | |
| Depreciation | 5,956 | 8,399 |
| Stock Based compensation | – | 123,095 |
| | (615,709) | (461,233) |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (15,285) | (8,523) |
| Prepaid expenses and deposits | (50,795) | (1,709) |
| Taxes recoverable | (13,992) | (2,629) |
| Accounts payable and accrued liabilities | 130,452 | 3,548 |
| Deferred revenue | (8,627) | (20,120) |
| CASH USED IN OPERATING ACTIVITIES | (573,956) | (490,666) |
| FINANCING ACTIVITIES | | |
| Advances from/to related parties | (66,335) | 108,882 |
| Issuance of promissory notes payable | (107,971) | 66,907 |
| Share Subscription | 182,950 | 108,000 |
| Issuance of common shares, net | 547,000 | 198,286 |
| CASH PROVIDED BY FINANCING ACTIVITIES | 555,644 | 482,075 |
| INVESTING ACTIVITIES | | |
| Payments received on loans receivable | 2,621 | (50) |
| Acquisition of equipment | (29,211) | (2,088) |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (26,590) | (2,138) |
| DECREASE IN CASH AND CASH EQUIVALENTS | (44,902) | (10,729) |
| CASH AND CASH EQUIVALENTS – BEGINNING OF THE PERIOD | 37,531 | 7,949 |
| CASH AND CASH EQUIVALENTS – ENDING OF THE PERIOD | (7,371) | 2,780 |
| NON-CASH FINANCING AND INVESTING ACTIVITIES | | |
| Issuance of shares for finder's fees and issuance cost | 28,850 | 12,790 |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid (Notes 5 and 10) | 8069 | 27,947 |
| Income tax paid | – | – |

**QUIZAM MEDIA CORPORATION**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2014 AND 2013**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

| | Number of Common Shares | Amount $ | Contributed Surplus $ | Share Subscriptions $ | Deficit $ | Total $ |
|---|---|---|---|---|---|---|
| As at May 31, 2012 | 57,793,709 | 11,181,855 | 621,525 | | (12,032,141) | (228,761) |
| Consolidation 2:1 | (28,896,840) | | | – | | – |
| Common shares issued | 4,000,000 | 200,000 | – | – | – | 200,000 |
| Share subscriptions | | | – | 108,000 | – | 108,000 |
| Issued at Finder's fees | 255,800 | 12,790 | – | – | – | 12,790 |
| Share issuance cost | – | (14,604) | – | – | – | (14,604) |
| Share based compensation | – | – | 123,095 | – | – | 123,095 |
| Net loss for the period | – | – | – | – | (592,727) | (592,727) |
| As at February 28, 2013 | 33,152,669 | 11,380,041 | 744,620 | 108,000 | (12,624,828) | (392.,207) |
| At May 31, 2013 | 36,988,252 | 11,783,166 | 755,335 | – | (12,831,470) | (292,969) |
| Common shares issued | 10,420,000 | 521,000 | – | – | – | 521,000 |
| Issued as finder's fees | 577,000 | 28,050 | – | – | – | 28,050 |
| Warrants Exercised | 50,000 | 6,000 | – | – | – | 6,000 |
| Stock Option Exercised | 40,000 | 4,000 | – | – | – | 4,000 |
| Share issuance cost | – | (28,050) | – | – | – | (28,050) |
| Share subscriptions received | – | – | – | 198,950 | – | 198,950 |
| Consolidation 3:1 | (32,050,224) | | | | | – |
| Net loss for the period | – | – | – | – | (621,665) | (621,665) |
| As at February 28, 2014 | 16,025,028 | 12,314,166 | 755,335 | 198,950 | (13,453,135) | 184,684 |

## 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 401-885 West Georgia Street, Vancouver, BC, V6C 3E8.

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") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

b) Basis of measurement and presentation

The preparation of interim 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 interim 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) Recently accounting standards

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 adopted by 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) Recent accounting standards (continued)

***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. These standards and interpretations did not 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, 2013 | $ 352,988 | $ 76,560 | $ 4,280 | $ – | $ 433,828 |
| Additions | 4,594 | 24,617 | – | – | 29,211 |
| As at February 28 2014 | $ 357,582 | $ 101,177 | $ 4,280 | $ – | $ 463,039 |
| **Accumulated Depreciation** | | | | | |
| As at May 31, 2013 | $ 344,313 | $ 71,820 | $ 3,552 | $ – | $ 419,685 |
| Depreciation | 4,616 | 1,106 | 234 | – | 5,956 |
| As at February 28,2014 | $ 348,929 | $ 72,926 | $ 3,786 | $ – | $ 425,641 |
| **Carrying Amounts** | | | | | |
| Balance, May 31, 2013 | $ 8,675 | $ 4,740 | $ 728 | $ – | $ 14,143 |
| Balance, February 28, 2014 | $ 8,653 | $ 28,251 | $ 494 | $ – | $ 37,398 |

## 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 February 28, 2014, the balance due is $8,289 (May 31, 2013 - $10,910) 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. During the six months ended February 28, 2014, an additional $155,500 of note repayments was directed towards 3,110,000 unit subscriptions within the September 2013 private placement described in Note 6.At February 28, 2014, the promissory note payable balance is $22,808 (May 31, 2013 – $130,779) including interest and finance fees.

(Expressed in Canadian dollars)

## 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 January 23, 2014, the Company consolidated its common shares on the basis of one post-consolidated common share for three pre-consolidated common shares.

In September 2013, the Company completed a non-brokered private placement consisting of 8,800,000 pre-consolidated units at $0.05 per unit for proceeds of$440,000. Each unit consisted of one pre-consolidated common share and half of a pre-consolidated share purchase warrant exercisable at a price of $0.12 for one year expiring on September 12 2014. In connection with the private placement, the Company issued 553,000 pre-consolidated common shares as finders' fees with a fair value of $27,650.

In November 2013, the Company completed a nor-brokered private placement consisting of 1,620,000 pre-consolidated units at$0.05 per unit for proceeds of $81,000. Each unit consisted of one pre-consolidated common share and half of a pre-consolidated share purchase warrant exercisable at a price of $0.12 for one year expiring on November 21, 2014. In connection with private placement, the Company issued 24,000 pre-consolidated common shares as finders' fees with a fair value of $1,200.

During the nine months ended February 28, 2014, the Company issued 50,000 pre-consolidated shares upon the exercise of warrants at $0.12 per share for proceeds of $6,000.

During the nine months ended February 28, 2014, the Company issued 40,000 pre-consolidated shares upon the exercise of stock options at $0.10 per share for proceeds of $4,000.

## 7. STOCK OPTIONS

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, 2013 | 594,167 | 0.415 |
| Exercised | (13,333) | 0.340 |
| Outstanding, February 28, 2014 | 580,834 | 0.415 |

All of the options outstanding at February 28, 2014and May 31, 2013 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as at February 28, 2014 is 0.40 (May 31, 2013 – 1.13) years.

(Expressed in Canadian dollars)

## 8. SHARE PURCHASE WARRANTS

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

| | Number of underlying shares | Weighted Average Exercise Price $ |
|---|---|---|
| Balance, May 31, 2013 | 2,583,333 | 0.81 |
| Issued | 1,736,667 | 0.36 |
| Exercised | (16,667) | 0.36 |
| Expired | (1,200,000) | 0.36 |
| Balance, February 28, 2014 | 3,103,333 | 0.25 |

At February 28, 2014, the following share purchase warrants were outstanding:

| Number of Warrants | Exercise Price $ | Expiry Date |
|---|---|---|
| 866,667 | $0.75 | April 23, 2014 |
| 500,000 | $0.75/1.05 | March 6, 2014/March 6, 2015 |
| 1,466,666 | $0.36 | September 12,2014 |
| 270,000 | $0.36 | November 21,2014 |
| 3,103,333 | | |

## 9. PRODUCT DEVELOPMENT COSTS

(a) On-Track TV

During fiscal 2014 and 2013, 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 for the nine months ended February 28, 2014 and 2013are as follows:

| | 2014 $ | 2013 $ |
|---|---|---|
| Salary, wages and fees (management, programming and marketing) | 164,233 | 113,338 |
| Advertising, Marketing & Promotion | 21,400 | 247 |
| Materials | 2,043 | 735 |
| Misc. | 2,687 | – |
| | 190,363 | 114,320 |

(Expressed in Canadian dollars)

## 9. PRODUCT DEVELOPMENT COSTS (continued)

b) Quizam software

The costs associated with development of the Quizam educational software, which are included in the statement of operations and comprehensive loss for the nine months ended February 28, 2014 and 2013are as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Salary, wages and fees (management, programming and marketing) | 16,964 | 61,718 |
| Advertising and promotion | – | 340 |
| | 16,964 | 62,058 |

## 10. 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 $54,952 (May 31, 2013 - $121,557) 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.

(b) Management, accounting, investor and finance development, and product development are provided by a company owned by a significant shareholder. An amount of $279,409 (2013 - $149,220) was paid for these services during the six month period ended February 28, 2014.

(c) Marketing and publicity, investor and finance development, and product development fees totalling $112,756 (2013 - $124,121) were paid to a company owned by a relative of one of the directors during the six month period ended February 28, 2014.

(d) Marketing and publicity fees totaling $nil (2012 - $5,577) were paid to relatives of one of the directors.

(e) Product development fees totalling $15,000 (2013 - $20,819) were paid to relatives of one of the directors during the six month period ended February 28, 2014.

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(f) A private company controlled by a director has guaranteed an office lease entered into by the Company in consideration of $1,000 per month and a general security agreement against all assets of the Company.

(g) During the nine months ended February 28, 2013, $155,500 of note repayments was directed towards 3,110,000 unit subscriptions within the September 2013 private placement described in Note 6

## 11. CAPITAL DISCLOSURE

The Company's capital currently consists of common shares, options and warrants for a total amount of $13,069,501 (May 31, 2013 - $12,538,501). 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)

## 12. LINE OF CREDIT

As at February 28, 2014, 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 February 28, 2014or as of May 31, 2013.

## 13. 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:

| | **February28, 2014** $ | **May 31, 2013** $ |
|---|---|---|
| FVTPL (i) | (7,371) | 37,531 |
| Loans and receivables (ii) | 52,616 | 37,667 |
| Other financial liabilities (iii) | (282,488) | (325,209) |

(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** | **February 28, 2014** $ | **May 31, 2013** $ |
|---|---|---|---|
| Cash and cash equivalents | 1 | (7,371) | 37,531 |

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.

## 13. 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. Three of the Company's customer accounts (2013 - one) comprise 54% (2013 - 50%) of accounts receivable.

Of the receivables balance outstanding at February 28, 2014, 96%has been subsequently collected as at April 29, 2014.

**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. The Company does not have investments in any asset backed deposits.

**Foreign Exchange Risk -** As the Company operates on an international basis, currency risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the United States dollar and Great Britain pound. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 98% of the Company's revenues are denominated in Canadian Dollars (2012– 99%) while substantially all of the Company's expenses are denominated in Canadian dollars. The Company does not engage in any hedging activity.

**Interest Rate Risk -** The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions.

**Market risk -** Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company's ability to raise capital to fund development is subject to risks associated with fluctuations in the market. Management closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## 14. COMMITMENTS

The Company has entered into office leases through June, 2017 and is committed to lease payments during the next five fiscal years as follows:

| | |
|---|---|
| 2014 | $ 15,282 |
| 2015 | 69,980 |
| 2016 | 69,980 |
| 2017 | 69,980 |
| 2018 | 17,495 |
| | $ 242,717 |

## 15. SUBSEQUENT EVENTS

On March 2, 2014 the Company granted incentive stock options to purchase a total of 1,700,000 shares of the Company's capital stock to its directors, employees and consultants. These options will have a 24 month term, exercisable up to March 6, 2016 at an exercise price of $0.15 per share. All stock options and any shares issued on the exercise of stock options will be subject to a four month hold period expiring July 6, 2014.

In March 2014, the Company completed a non-brokered private placement consisting of 4,857,142 units at $0.07 per unit for gross proceeds of $340,000. Each unit consisted of one common share and half of a share purchase warrant exercisable at a price of $0.25 for a period of eighteen months. In connection with the private placement, the Company issued 335,492 common shares as finders' fees.