QUIZAM MEDIA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MAY 31, 2014 AND 2013

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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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, 2014 and 2013 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, 2014 and 2013, 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 29, 2014

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	May 31, 2014 $	May 31, 2013 $
ASSETS		
Current		
Cash and cash equivalents	–	37,531
Accounts receivable	21,303	26,757
Prepaid expenses and deposits	18,091	10,740
Taxes recoverable	14,954	691
Loans receivable (Note 4)	3,425	10,910
	57,773	86,629
Equipment (Note 3)	33,832	14,143
	91,605	100,772
LIABILITIES		
Current		
Cheques written in excess of funds on deposit	11,181	–
Accounts payable and accrued liabilities	149,227	123,385
Deferred revenue	36,230	18,290
Due to related parties (Note 11)	76,896	121,287
Promissory notes payable (Note 5)	23,093	130,779
	296,627	393,741
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 6)	12,754,706	11,783,166
Contributed surplus	962,235	755,335
Deficit	(13,921,963)	(12,831,470)
	(205,022)	(292,969)
	91,605	100,772

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

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

/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, 2014 AND 2013

(Expressed in Canadian dollars)

	2014 $	2013 $
REVENUES		
Training services and software sales	604,788	626,154
On-Track TV sales	67,167	25,622
	671,955	651,776
EXPENSES		
Accounting and legal (Note 11)	198,600	158,493
Automobile	14,862	13,421
Bank charges and finance fees (Note 11)	6,678	3,092
Depreciation	9,523	10,822
Interest on related party debt (Note 5 and 11)	15,095	36,592
Investor and finance development	182,623	74,687
Management fees (Note 11)	144,000	58,400
Office and miscellaneous	156,875	59,531
On-Track TV development costs (Note 10 and 11)	209,929	158,885
Regulatory fees	10,376	25,453
Rent	158,808	216,030
Software development costs (Note 10 and 11)	61,883	87,239
Share-based compensation (Note 7)	209,300	133,810
Subcontractors	60,745	65,228
Telephone	23,563	19,407
Travel and business development	63,972	77,548
Wages and benefits (Note 11)	240,385	237,652
	(1,767,217)	1,436,290
LOSS BEFORE OTHER ITEMS	(1,095,262)	(784,514)
OTHER ITEMS		
Gain on sale of equipment (Note 11)	–	4,100
Interest income	1,686	1,460
Expense recovery	3,083	–
Loss on settlement of debt	–	(20,375)
NET LOSS AND COMPREHENSIVE LOSS	(1,090,493)	(799,329)
LOSS PER SHARE BASIC AND DILUTED	(0.07)	(0.07)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	16,110,098	10,684,968

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, 2014 AND 2013

(Expressed in Canadian dollars)

	2014 $	2013 $
OPERATING ACTIVITIES		
Net loss	(1,090,493)	(799,329)
Add back non-cash items:		
Depreciation	9,523	10,822
Loss on settlement of debt	–	20,375
Share-based compensation	209,300	133,810
	(871,670)	(634,322)
Changes in non-cash working capital items:		
Accounts receivable	5,454	8,718
Prepaid expenses and deposits	(7,351)	(1,088)
Taxes recoverable	(14,263)	5,149
Accounts payable and accrued liabilities	25,842	29,542
Due to related parties	76,896	–
Deferred revenue	17,940	(2,120)
CASH USED IN OPERATING ACTIVITIES	(767,152)	(594,121)
FINANCING ACTIVITIES		
Amounts due to related party (repaid) or received	(105,787)	75,361
Issuance of promissory notes payable, net	5,475	11,691
Issuance of common shares, net	840,479	540,186
CASH PROVIDED BY FINANCING ACTIVITIES	740,167	627,238
INVESTING ACTIVITIES		
Payments received on loans receivable	7,485	(162)
Acquisition of equipment	(29,212)	(7,473)
Disposal of equipment	–	4,100
CASH USED IN INVESTING ACTIVITIES	(21,727)	(3,535)
CHANGE IN CASH AND CASH EQUIVALENTS	(48,712)	29,582
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	37,531	7,949
CASH AND CASH EQUIVALENTS (CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT) – ENDING OF THE YEAR	(11,181)	37,531
NON-CASH FINANCING ACTIVITIES		
Issuance of shares for finders' fees	55,485	27,390
SUPPLEMENTAL INFORMATION		
Interest paid (Notes 5 and 11)	5,475	36,592
Income tax paid	–	–

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED MAY 31, 2014 AND 2013

(Expressed in Canadian dollars)

	Number of Common Shares	Amount $	Contributed Surplus $	Deficit $	Total $
As at May 31, 2012	57,793,709	11,181,855	621,525	(12,032,141)	(228,761)
Share consolidation	(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)
Share consolidation (Note 6)	(24,658,835)	–	–	–	–
Common shares issued	10,330,475	961,000	–	–	961,000
Issued as finder's fees	590,770	55,484	–	–	55,484
Share issuance costs	–	(57,344)	–	–	(57,344)
Warrants exercised	16,667	6,000	–	–	6,000
Options exercised	13,333	6,400	(2,400)	–	4,000
Share-based compensation	–	–	209,300	–	209,300
Net loss for the year	–	–	–	(1,090,493)	(1,090,493)
As at May 31, 2014	23,280,662	12,754,706	962,235	(13,921,963)	(205,022)

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 a history of significant losses, sizeable accumulated deficits and working capital deficits. These factors form a material uncertainty that cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on completing equity financing, obtaining support from related parties or generating consistent profitable operations in the future.

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. Significant areas requiring the use of management estimates relate to an allowance for doubtful accounts and the measurement of share-based compensation. Actual results could differ from those estimates. Significant judgements are applied by management to determine whether sales have met the Company's revenue recognition criteria and to assess the probability of realizing deferring income tax assets based on the likelihood of generating taxable income in the future. Different judgment could yield different results. 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 On-Track Computer Training Ltd. ("On-Track"). On-Track 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 statement of financial position 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 and leasehold improvements

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

Leasehold improvements are depreciated using the straight-line method over the estimated term of the related lease.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 customer 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 as revenue 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. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

p) New accounting standards adopted effective June 1, 2013

The mandatory adoption of the following new and revised accounting standards and interpretations on June 1, 2013 had no significant impact on the Company's consolidated financial statements for the years presented:

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) New accounting standards not yet adopted

IAS 36 – Impairment of Assets
In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or a CGU's recoverable amount is based on fair value less costs of disposal. The standard is effective for the Company's fiscal year beginning on June 1, 2014.

IFRIC 21 – Levies
In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The standard is effective for the Company's fiscal year beginning on June 1, 2014.

IFRS 15 – Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017.

IFRS 9 – Financial Instruments
The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018.

Management is currently evaluating any impact that the above standards may have on the Company's consolidated financial statements and this assessment has not yet been finished.

(Expressed in Canadian dollars)

3. EQUIPMENT

Cost	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Library	Vehicles	Total
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
Additions	4,593	–	24,617	–	–	29,210
As at May 31, 2014	$ 357,581	$ 76,560	$ 24,617	$ 4,280	$ –	$ 463,038
Accumulated Depreciation						
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
Depreciation	5,862	1,471	1,799	389	–	9,521
As at May 31, 2014	$ 350,175	$ 73,291	$ 1,799	$ 3,941	$ –	$ 429,206
Carrying Amounts						
Balance, May 31, 2013	$ 8,675	$ 4,740	$ –	$ 728	$ –	$ 14,143
Balance, May 31, 2014	$ 7,406	$ 3,269	$ 22,818	$ 339	$ –	$ 33,832

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, 2014, the balance due is $3,425 (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 note 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 a March 2013 private placement. In fiscal 2014, an amount of $113,161 of debt repayments related to the note payable was directed toward the September 2013 2,263,220 unit subscriptions within the private placement described in Note 6.

At May 31, 2014, the promissory note payable balance is $23,093 (2013 - $130,779) 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 February 5, 2014, the Company enacted a three to 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 three to one share consolidation.

Transactions for the year ended May 31, 2014:

In September 2013, the Company completed a non-brokered private placement consisting of 2,933,333 units at $0.15 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 $0.36 for one year expiring on September 11, 2014. In connection with the private placement, the Company issued 184,277 common shares as finders' fees with a fair value of $27,650.

In November 2013, the Company completed a non-brokered private placement consisting of 540,000 units at $0.15 per unit for proceeds of $81,000. Each unit consists of one common share and one half of a share purchase warrant exercisable at a price of $0.36 for one year expiring on November 21, 2014. In connection with the private placement, the Company issued 8,000 common shares as finders' fees with a fair value of $1,200.

In March 2014, the Company completed a non-brokered private placement consisting of 4,857,142 units at $0.07 per unit for proceeds of $340,000. Each unit consists of one common share and one half of a share purchase warrant exercisable at a price of $0.25 for 18 months expiring on September 4, 2015. In connection with the private placement, the Company issued 335,492 common shares as finders' fees with a fair value of $23,485.

In May 2014, the Company completed a non-brokered private placement consisting of 2,000,000 units at $0.05 per unit for proceeds of $100,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.15 for 18 months expiring on September 4, 2015. In connection with the private placement, the Company issued 63,000 common shares as finders' fees with a fair value of $3,150.

During the year ended May 31, 2014, the Company issued 16,667 common shares upon exercise of warrants.

During the year ended May 31, 2014, the Company issued 13,333 common shares upon exercise of stock options.

(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, 2012	164,167	0.72
Cancelled/expired	(143,333)	0.75
Granted	573,333	0.45
Outstanding, May 31, 2013	594,167	0.45
Cancelled/expired	(297,500)	0.32
Exercised	(13,333)	0.30
Granted	1,700,000	0.15
Outstanding, May 31, 2014	1,983,333	0.21

All of the options outstanding at May 31, 2014 and 2013 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:

	2014	2013
Risk free interest rate	1.06%	1.09%
Expected life (in years)	2.00	1.62
Expected volatility	166%	168%
Dividend yield	0%	0%

Total share-based compensation expense recognized for stock options granted during the year was $209,300 (2013 - $133,810) 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 $0.12 (2013- $0.23) per option.

The weighted average remaining contractual life of the stock options outstanding as at May 31, 2014 was 1.61 years (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 (post-share consolidation described in Note 6):

	Number of underlying shares	Weighted Average Exercise Price $
Balance, May 31, 2012	2,950,000	1.14
Issued in unit private placements	1,833,333	0.48
Exercised	(116,667)	0.36
Expired	(2,083,333)	1.20
Balance, May 31, 2013	2,583,333	0.81
Issued in unit private placements	6,165,238	0.25
Exercised	(16,667)	0.36
Expired	(2,066,666)	0.84
Balance, May 31, 2013	6,665,238	0.31

At May 31, 2014, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price $	Expiry Date
500,000	$1.05	March 6, 2015
1,466,667	$0.36	September 11, 2014
270,000	$0.36	November 21, 2014
2,428,571	$0.25	September 4, 2015
2,000,000	$0.15	November 27, 2014
6,665,238		

The weighted average remaining contractual life of the warrants outstanding as at May 31, 2014 was 0.83 years (2013 – 0.85 years).

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:

	2014 $	2013 $
Revenue	671,955	651,776
Expenses	(1,008,620)	(926,974)
Profit (loss)	(336,665)	(275,198)

(Expressed in Canadian dollars)

9. SEGMENTED INFORMATION (continued)

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

	2014 $	2013 $
Revenue	–	–
Expenses	(753,828)	(524,131)
Profit (loss)	(753,828)	(524,131)

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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:

	2014 $	2013 $
Canada	636,169	637,528
U.K.	35,786	14,248

10. 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 expenses for the years ended May 31, 2014 and 2013 are as follows:

	2014 $	2013 $
Salary, wages and fees (management, programming and marketing)	186,411	155,843
Materials	2,118	1,336
Marketing	21,100	1,706
Advertising and promotion	300	-
	209,929	158,885

(b) Quizam software

The costs associated with development of the Quizam educational software, which are included in expenses for the years ended May 31, 2014 and 2013 are as follows:

	2014 $	2013 $
Salary, wages and fees (management, programming and marketing)	61,483	86,899
Advertising and promotion	400	340
	61,883	87,239

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

(a) Key management compensation

The Company has identified its Directors, President and Chief Executive Officer, and Chief Financial Officer 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:

	2014	2013
Wages and benefits, and management fees	$ 212,950	$ 87,700
Share-based payments	98,473	53,054
	$ 311,423	$ 140,754

For the years ended May 31, 2014 and 2013, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

(b) Amounts due to related parties

At May 31, 2014, the Company owed $Nil (May 31, 2013 - $121,557) to a significant shareholder, who is also a director and officer. The loan was settled during the current year. The loan was secured by the assets of the Company and was subject to an interest at 12% per annum. A part of the loan repayments totalling $15,500 (2013 - $40,000) were applied towards 310,000 (2013 – 600,000) unit subscriptions within the private placements described in Note 6.

At May 31, 2014, the Company owed $76,896 (May 31, 2013 - $Nil) to companies owned by a significant shareholder, who is also a director and officer, and to a company owned by his relative.

(c) Related party transactions

Accounting, investor and finance development, product development, moving, office and other miscellaneous expenses are provided by a company owned by a significant shareholder. An amount of $310,845 (2013 - $166,258) was included in expenses for these services during the year ending May 31, 2014.

During the year ended May 31, 2014, marketing and publicity, investor and finance development, product development fees, and moving expenses totalling $88,461 (2013 - $167,963) were included in expenses to a company owned by a relative of one of the directors.

During the year ended May 31, 2014, product development fees and office expenses totalling $54,360 (2013 - $26,688) were included in expenses to relatives of one of the directors.

During the year ended May 31, 2014, the Company paid $9,825 (2013 - $11,771) in interest on loan to a significant shareholder and $5,475 (2013 - $24,271) in interest and finance fees on promissory notes payable described in Note 5.

In 2013, 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. The vehicle had been fully depreciated by the time of the sale.

(Expressed in Canadian dollars)

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:

	2014 $	2013 $
Canadian statutory income tax rate	26.0%	25.0%
Net loss before tax per financial statements	(1,090,493)	(799,329)
Income tax recoverable at statutory rates	283,528	199,833
Permanent differences and other	(55,953)	(38,908)
Change in enacted rates	99,774	–
Unrecognized tax assets	(327,349)	(160,925)
Income tax recoverable	–	–

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

	2014 $	2013 $
Future effective tax rate	26.0%	25.0%
Deferred income tax assets		
Non-capital losses carried forward	2,744,676	2,414,898
Capital assets and other	38,156	34,308
Share issuance costs	5,838	12,115
Unrecognized deferred tax assets	(2,788,670)	(2,461,321)
Net deferred income tax assets	–	–

(Expressed in Canadian dollars)

12. INCOME TAXES (continued)

The Company has approximately $10,556,448 (2013 – $9,659,596) 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
2033	896,852
	10,556,448

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 MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of $13,716,941 (2013 – $12,538,501). The Company's principal source of capital 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.

14. LINE OF CREDIT

As at May 31, 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 May 31, 2014 and 2013.

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.

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	2014	**2013**
	$	$
FVTPL (i)	-	37,531
Loans and receivables (ii)	24,728	37,667
Other financial liabilities (iii)	(231,197)	(325,209)

(i) Cash and cash equivalents
(ii) Accounts receivable and loans receivable
(iii) Cheques written in excess of funds on deposit, 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	**2014**	**2013**
		$	$
Cash and cash equivalents	1	-	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.

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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table provides information regarding the ageing of financial assets that are past due but which are not impaired as at May 31, 2014.

		Neither past due nor impaired	31-60 days	61-90 days	91 days +	Carrying value $
Trade accounts receivable	$	6,026	8,316	450	6,511	21,303

All of the 61 days and over balance outstanding at May 31, 2014 has been subsequently collected as at September 29, 2014.

Liquidity Risk

The Company manages its ability to meet its short-term obligations through the capital management described in Note 13. The Company has a working capital deficit and requires additional financing to fund operations.

Foreign Exchange Risk

As the Company generates a portion of its revenues in the U.K., the Company's foreign exchange risk arises primarily with respect to the U.K. pound sterling. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 5% of the Company's revenues are denominated in the U.K. pound sterling (2013 – 2%), while a significant amount of the Company's expenses are denominated in Canadian dollars. In management's opinion the Company is not exposed to significant foreign exchange rate risk.

Interest Risk

In management's opinion the Company is not exposed to significant interest rate risk.

16. COMMITMENTS

The Company has signed rental agreement effective until June 29, 2017 and has committed to rental payments of the total of $438,016 payable as follows:

May 31, 2015	$	142,059
May 31, 2016		142,059
May 31, 2017		142,059
May 31, 2018		11,839
Total	$	438,016

17. SUBSEQUENT EVENTS

The Company has signed a Memorandum of Understanding with the University of Fraser Valley to customize and expand On-Track TV's learning library and learning management system in order to offer its university curriculum online. Although the sales related to the MOU are expected to occur starting January 2015, no definitive agreement has been signed.

Subsequent to May 31, 2014, 470,000 stock options were cancelled, and 1,466,667 warrants with an exercise price of $0.36 expired unexercised.