Quizam Media Corporation

QUIZAM MEDIA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

AUGUST 31, 2015 AND 2014

(Unaudited)

The accompanying unaudited interim financial statements have been prepared by Management of Quizam Media Corporation and have not been reviewed by the Company's auditors

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	As at August 31, 2015 $	As at May 31, 2015 $
ASSETS		
Current		
Cash and cash equivalent	12,615	–
Accounts receivable	31,153	12,287
Prepaid expenses and deposits	16,650	31,912
Sales taxes recoverable	7,547	19,580
	67,965	63,779
Property and equipment (Note 3)	45,463	47,559
Investment in film production (Note 4)	55,000	55,000
	168,428	166,338
LIABILITIES		
Current		
Cheques written in excess of funds on deposit	–	11,367
Accounts payable and accrued liabilities	70,186	126,022
Deferred revenue	24,809	24,809
Due to a related parties (Note 11)	153,530	177,904
Promissory notes payable (Note 5)	136,822	131,817
	385,347	471,919
EQUITY (DEFICIENCY)		
Share capital (Note 6)	13,853,744	13,600,229
Contributed surplus	994,374	980,446
Share subscriptions received (Note 6)	102,401	23,806
Deficit	(15,167,438)	(14,910,062)
	(216,919)	(305,581)
	168,428	166,338

Nature and continuance of operations (Note 1)
Commitments (Note 15)
Subsequent events (Note 16)

APPROVED ON BEHALF OF THE BOARD ON OCTOBER 29, 2015:

/s/ "Russ Rossi"
Russ Rossi, Director

/s/ "Jim Rosevear"
Jim Rosevear, Director

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

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED AUGUST 31, 2015 AND 2014

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	2015	2014
	$	$
REVENUES		
Training services and software sales	115,288	147,528
On-Track TV sales	–	–
	115,288	147,528
EXPENSES		
Accounting and legal (Note 11)	69,515	15,300
Advertising and promotion	–	5,391
Automobile	9,678	3,463
Bank charges and finance fees	961	2,431
Depreciation	3,777	8,567
Investor and finance development (Note 11)	18,782	8,550
Management fees (Note 11)	36,000	36,000
Office and miscellaneous	15,638	12,076
On-Track TV development costs(Note 10 and 11)	60,495	3,845
Regulatory fees	3,777	–
Rent	39,515	48,178
Software development costs (Note 10 and 11)	14,524	15,000
Share-based compensation (Note 7)	13,928	–
Subcontractors	6,633	15,770
Telephone and internet	5,255	2,340
Travel and business development	17,810	7,227
Wages and benefits (Note 12)	56,745	42,327
	373,033	211,877
LOSS BEFORE OTHER ITEMS	(257,805)	(64,349)
OTHER ITEMS		
Interest income	429	–
NET LOSS AND COMPREHENSIVE LOSS	(237,376)	(64,349)
LOSS PER SHARE BASIC AND DILUTED	(0.005)	(0.003)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	47,391,597	23,280,662

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED AUGUST 31, 2015 AND 2014

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	2015 $	2014 $
OPERATING ACTIVITIES		
Net loss	(257,376)	(64,349)
Add back non-cash items:		
Depreciation	3,777	8,567
Share-based compensation	13,928	–
	(239,671)	(55,872)
Changes in non-cash working capital items:		
Accounts receivable	(18,866)	(29,590)
Prepaid expenses and deposits	15,262	(3,083)
Sales taxes recoverable	12,033	(3,468)
Accounts payable and accrued liabilities	(55,836)	(22,139)
Due to related parties	(19,369)	–
CASH USED IN OPERATING ACTIVITIES	(306,447)	(138,650)
FINANCING ACTIVITIES		
Advances from related parties	–	119,120
Share subscriptions received	78,595	56,420
Issuance of common shares, net	253,515	–
CASH PROVIDED BY FINANCING ACTIVITIES	332,110	175,540
INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,681)	(34,530)
CASH USED IN INVESTING ACTIVITIES	(1,681)	(34,530)
INCREASE (DECREASE0 IN CASH AND CASH EQUIVALENTS	23,982	29,948
CASH AND CASH EQUIVALENTS (CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT) – BEGINNING OF THE PERIOD	(11,367)	(11,181)
CASH AND CASH EQUIVALENTS (CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT) – END OF THE PERIOD	12,615	15,767
SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–
NON-CASH FINANCING ACTIVITIES		
Issuance of shares for finders' fees	5,200	–

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

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

FOR THE THREE MONTHS ENDED AUGUST 31, 2015 AND 2014

(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

	Number of Common Shares	Amount $	Contributed Surplus $	Share Subscriptions Received $	Deficit $	Total $
As at May 31, 2014	23,280,662	12,754,706	962,235	–	(13,921,963)	(205,022)
Share subscriptions received	–	–	–	56,420	–	56,420
Net loss for the period	–	–	–	–	(64,349)	(64,349)
As at August 31, 2014	23,280,662	12,754,706	962,235	56,420	(13,986,312)	(212,951)
As at May 31, 2015	43,152,446	13,600,229	980,446	23,806	(14,910,062)	(305,581)
Common shares issued	3,000,0000	150,000	–	–	–	150,000
Issued as finder's fees	104,000	5,200	–	–	–	5,200
Share issuance costs	–	(5,200)	–	–	–	(5,200)
Warrants exercised	620,000	62,000	–	–	–	62,000
Stock option*s exercised	515,150	41,515	–	–	–	11,515
Share subscriptions received	–	–	–	78,595	–	78,595
Share-based compensation	–	–	13,928	–	–	13,928
Net loss for the period	–	–	–	–	(257,376)	(237,376)
As at August 31, 2015	47,391,596	13,853,774	994,374	102,401	(15,167,438)	(216,920)

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 4th Floor, 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 a history of significant losses, sizeable accumulated deficits and working capital deficits. These factors form a material uncertainty that casts 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 financings, 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 Statements*.

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 estimation of an allowance for doubtful accounts, the measurement of share-based compensation, expected lives of long-lived assets, and the recognition of deferred income tax assets. 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, whether investments in film production are recoverable, and to assess the probability of realizing deferring income tax assets based on the likelihood of generating taxable income in the future. Different judgement 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 (p). 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.

d) Foreign currency translation

Foreign currency denominated assets and liabilities of operations are translated into Canadian dollars at exchange rates prevailing at the consolidated 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) Property and Equipment

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

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) Investment in film productions

Investment in film productions represents the unamortized cost of film projects which are in development and in progress. Such costs are capitalized and upon commencement of production are reclassified to production costs in the consolidated statement of financial position. Projects in development are written off at the earlier of the date they are determined not to be recoverable or when abandoned, or three years from the date of initial investment.

Costs of producing film programs are capitalized and amortized using the individual film forecast method, whereby capitalized costs are amortized, and ultimate participation costs are accrued, in the proportion that current revenue bears to management's estimate of ultimate revenue expected to be recognized from the exploitation, exhibition or licensing of the film. For film programs produced by the Company, capitalized costs include all direct production, an allocation of directly attributable overhead and financing costs incurred during production that are expected to benefit future periods. Financing costs are capitalized to the costs of a film or television program until the film or television program is complete.

h) Long-lived assets and impairment

The Company evaluates, on an ongoing basis, the carrying value of property and 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.

i) 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.

j) 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.

k) 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.

l) 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 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.

m) 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.

n) Earnings(Loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. 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.

o) 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 period.

p) 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 of cheques written in excess of funds on deposit, 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 no assets recognized at FVTPL. 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.

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.

q) New accounting standards adopted effective June 1, 2015

The mandatory adoption of the following new and revised accounting standards and interpretations on June 1, 2015 had no significant impact on the Company’s consolidated financial statements for the periods presented:

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 adoption of this standard had no significant impact on the Company’s consolidated financial statements.

(Expressed in Canadian dollars)

r) New accounting standards not yet adopted

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.

3. PROPERTY AND EQUIPMENT

Cost	**Computer Hardware**	**Furniture and Fixtures**	**Leasehold Improvements**	**Library**	**Total**
As at May 31, 2014	$ 357,581	$ 76,560	$24,617	$4,280	$ 463,038
Additions	26,031	–	–	475	26,506
As at May 31, 2015	$ 383,612	$ 76,560	$ 24,617	$4,755	$ 489,544
Additions	1,681	–	–	–	1,681
As at August 31, 2015	$ 385,293	$ 76,560	$ 24,617	$ 4,755	$ 491,225
Accumulated Depreciation					
As at May 31, 2014	$ 350,175	$ 73,291	$ 1,799	$ 3,941	$ 429,206
Depreciation	7,044	1,465	3,931	339	12,779
As at May 31, 2015	$ 357,219	$ 74,756	$ 5,730	$ 4,280	$ 441,985
Depreciation	2,125	3,66	1,231	55	3,777
As at August 31, 2015	$ 359,344	$ 75,122	$ 6,961	$ 4,335	$ 445,762
Carrying Amounts					
Balance May 31 2015	$ 26,393	$ 1,804	$ 18,887	$ 475	$47,559
Balance, August 31, 2015	$ 25,949	$ 1,438	$ 17,656	$ 420	$45,463

4. INVESTMENT IN FILM PRODUCTION

The Company invested $55,000 in a film production project, which have been capitalized as an intangible asset under development at August 31, 2015. No depreciation has been recorded since the production is still in progress and has not been completed yet. The Company committed pay another $55,000 upon completion of the project scheduled for November 2015.

5. PROMISSORY NOTES PAYABLE

At August 31, 2015, the promissory notes payable balance is $136,822(May 31, 2015 - $131,817) including interest and finance fees. The promissory notes are unsecured, due on demand, bear interest at 15% and are payable to a significant shareholder of the Company.

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 consolidated statements of changes in equity (deficiency).

Transactions for the period ended August 31, 2015:

In June 2015, the Company completed a non-brokered private placement consisting of 3,000,000 units at $0.05 per unit for proceeds of $150,000. A portion of proceeds totaling $23,806 was collected prior to May 31, 2015 and included in subscriptions received at May 31, 2015. Each unit consisted of one common share and one share purchase warrant exercisable at a price of $0.12 for 18 months expiring on December 11, 2016. In connection with the private placement, the Company issued 104,000 common shares as finders' fees with a fair value of $5,200.

During the period ended August 31, 2015, the Company issued 735,150 common shares upon exercise of warrants for total proceeds of $73,515.

During the year ended May 31, 2015, the Company issued 400,000 common shares upon exercise of stock options for total proceeds of $50,000.

As at August 31, 2015, the Company has received $102,401 in proceeds towards the private placement closed in September 2015 (see Note 16). This amount was included in share subscriptions received at August 31, 2015.

(Expressed in Canadian dollars)

7. STOCK OPTIONS

Stock option plan and stock options issued:

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Share Option Plan (the "Plan"). Under the Plan, the option price must not be less than the closing price of the common shares of the Company on the TSX-V 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, 2014	1,983,333	0.21
Granted	1,330,000	0.13
Exercised	(200,000)	0.15
Cancelled/Expired	(793,333)	0.30
Outstanding, May 31, 2015	2.320.000	0.14
Granted	300,000	0.10
Exercised	(400,000)	0.13
Cancelled/Expired	–	–
Outstanding, August 31, 2015	2,220,000	0.14

All of the options outstanding at August 31, 2015 were fully vested.

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

	August 31, 2015	August 31, 2014
Risk-free interest rate	0.43%	–
Expected life (in years)	2.00	–
Expected volatility	191%	–
Expected forfeitures	0%	–
Dividend yield	0%	–

Total share-based compensation expense recognized for stock options granted during the period ended August 31, 2015 to directors, officers and consultants of the Company was $13,928 (2014 - $nil) and was charged to operations.

The weighted average grant date fair value of stock options granted during the period was $0.05 (2014-$nil) per option.

The weighted average remaining contractual life of the stock options outstanding as at August 31, 2015 was 1.00 years (2014 - 1.36 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, 2014	6,665,238	0.31
Issued in unit private placements	11,523,809	0.10
Exercised	(1,284,000)	0.14
Expired	(2,236,667)	0.51
Balance, May 31, 2015	14,668,380	0.13
Issued in unit private placements	3,000,000	0.12
Exercised	(735,150)	0.10
Expired	–	–
Balance, August 31, 2015	16,933,230	0.13

At August 31, 2015, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,428,571	$ 0.25	September 4, 2015
1,016,000	$ 0.15	November 27, 2015
964,850	$ 0.10	May 27, 2016
6,666,667	$ 0.10	September 3, 2016
2,857,142	$ 0.10	October 22, 2016
3,000,000	$ 0.12	December 11, 2016
16,933,230		

The weighted average remaining contractual life of the warrants outstanding as at August 31, 2015 was 0.88 years (2014 – 0.79 years).

(Expressed in Canadian dollars)

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 three months ended August 31:

	2015 $	2014 $
Revenue	115,288	147,528
Expenses	(353,597)	(211,877)
Profit (loss)	(237,940)	(64,349)

(b) Software Sales and Licensing for the three months ended August 31:

	2015 $	2014 $
Revenue	–	–
Expenses	(14,524)	(15,000)
Profit (loss)	(14,524)	(15,000)

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:

	2015 $	2014 $
Canada	115,288	147,528
U.K.	–	–

10. PRODUCT DEVELOPMENT COSTS

(a) On-Track TV

During fiscal 2015and 2014, 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 three months ended August 31, 2015 and 2014 are as follows:

	2015 $	2014 $
Salary, wages and fees (management, programming and marketing)	48,583	3,455
Marketing, advertising and promotion	11,912	390
	60,495	3,845

(Expressed in Canadian dollars)

(b) Quizam software

The costs associated with development of the Quizam educational software, which are included in the consolidated statement of operations, and comprehensive loss for the three months ended August 31, 2015 and 2014 are as follows:

	2015 $	2014 $
Salary, wages and fees (management, programming and marketing)	14,524	15,000
Advertising and promotion	–	–
	14,524	15,000

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:

	2015 $	2014 $
Wages and benefits, and fees	36,000	36,000
Share-based payments	–	–
	36,000	36,000

For the three months ended August 31, 2015 and 2014, 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 August 31, 2015, the Company owed $153,530 (2014 - $171,428) to a significant shareholder and companies owned by a significant shareholder, who is also a director and officer, and to a company owned by his relative. Additionally, a promissory note is payable to a related party as disclosed in Note 6.

(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 who is also a director and officer. An amount of $105,852 (2014 - $74,767) was included in expenses for these services during the three months ended August 31, 2015.

During the three months ended August 31, 2015, marketing and publicity, investor and finance development, product development fees, and moving expenses totalling $77,361 (2014 - $33,667) were included in expenses to a company owned by a relative of one of the directors.

During the period ended August 31, 2015, product development fees and office expenses totalling $21,833 (2014 - $25,390) were included in expenses to relatives of one of the directors.

(Expressed in Canadian dollars)

12. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, share subscriptions, options and warrants for a total amount of $14,936,591 (2014 – $13,773,361). 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, internet training development and film production to ensure the growth of activities.

13. LINE OF CREDIT

As at August 31, 2015, 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 August 31, 2015 and 2014.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cheques written in excess of funds on deposit, 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:

	2015 $	**2014** $
FVTPL	12,615	15,767
Loans and receivables (i)	31,153	35,986
Other financial liabilities (ii)	(360,538)	(326,107)

(i) Accounts receivable and loans receivable
(ii) 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 data.

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	**2015** $	**2014** $
Cash and cash equivalents	1	12,615	15,767

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 accounts receivable. 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 August 31, 2015:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable	$ 18,355	8,064	4,734	–	31,153

All of the 61 days and over balance outstanding at August 31, 2015 has been collected subsequent to August 31, 2015.

Liquidity Risk

The Company manages its ability to meet its short-term obligations through the capital management described in Note 12. 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 (2014 – 5%), 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 Rate Risk

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

(Expressed in Canadian dollars)

15. COMMITMENTS

(a) The Company has signed rental agreement effective until June 29, 2017 and has committed to rental payments of the total of $295,957 payable as follows:

	$
May 31, 2016	106,542
May 31, 2017	142,059
May 31, 2018	11,839
Total	260,440

(b) In June 2015, the Company entered into a letter of intent to acquire a 10% non-dilutable equity interest in William Sadleir's new motion picture distribution company, Aviron Capital, LLC, ("Aviron") headquartered in Beverly Hills, California. The Company subsequently entered into a Share Exchange Agreement dated October 19, 2015 (the "Agreement"). Under the terms of the Agreement, the Company will issue 1,000,000 common shares and 12,250,000 share purchase warrants to acquire 1,000 Class A units of Aviron, representing a 10% non-dilutable equity interest. Each warrant entitles the holder to acquire one common share at a price of $0.08 for a period of 120 months following closing. Aviron will grant the Company a Net Earnings Participation interest consisting of (i) US$50,000 per year, paid quarterly (ii) the issuance of a non-interest bearing promissory note of US$1,000,000 due and payable on or before October 30, 2020 (iii) 10% of Aviron's net annual revenues (iv) and 10% of all proceeds or value received at the time of a liquidity event, including a public or private sale of Aviron, or winding up of the company. This agreement is subject to regulatory approval.

16. SUBSEQUENT EVENTS

(a) In September 2015, the Company completed a private placement consisting of 4,000,000 units at $0.03 per unit for proceeds of $120,000. Each unit consisted of one common share and one share purchase warrant. Each whole warrant is exercisable for 18 months at $0.12 per share. In connection with the private placement, the Company issued 66,667 common shares as finders' fees.

(b) Subsequent to August 31, 2015, the Company issued 2,600,000 shares upon exercise of warrants for gross proceeds of $260,000.