# QUINSAM CAPITAL CORPORATION

## INTERIM FINANCIAL STATEMENTS
## (UNAUDITED)

## SEPTEMBER 30, 2011

**BALANCE SHEETS**

**INTERIM STATEMENTS OF OPERATIONS AND DEFICIT**

**INTERIM STATEMENTS OF CASH FLOWS**

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**Notice to Reader**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**QUINSAM CAPITAL CORPORATION**

**INTERIM BALANCE SHEETS**

(unaudited)

| | | September 30, 2011 | | December 31, 2010 |
|---|---|---|---|---|
| | | | | (Note 7) |
| **ASSETS** | | | | |
| **CURRENT** | | | | |
| Cash and cash equivalents (Note 3) | $ | 468,599 | $ | 710,060 |
| Prepaid expenses and deposits | | - | | - |
| Receivables | | 14,561 | | 3,530 |
| | | 483,160 | | 713,590 |
| **EQUIPMENT** (Note 4) | | 301 | | 409 |
| **INTANGIBLE ASSETS** (Note 4) | | 206,686 | | 74,799 |
| | $ | 690,147 | $ | 788,798 |
| **LIABILITIES** | | | | |
| **CURRENT** | | | | |
| Accounts payable and accrued liabilities | $ | 27,464 | $ | 17,068 |
| **SHAREHOLDERS' EQUITY** | | | | |
| **SHARE CAPITAL** (Note 5) | | 1,719,893 | | 1,717,393 |
| **SHARE-BASED PAYMENT RESERVE** | | 4,500 | | 4,500 |
| **DEFICIT** | | (1,061,710) | | (950,163) |
| | | 662,683 | | 771,730 |
| | $ | 690,147 | $ | 788,798 |

Approved on behalf of the Board

*"Roy Zanatta"*
Roy Zanatta – Director

*"Bryan Beer"*
Bryan Beer – Director

The accompanying notes are an integral part of these interim financial statements.

**QUINSAM CAPITAL CORPORATION**

**INTERIM STATEMENTS OF OPERATIONS AND DEFICIT**

(unaudited)

| | 3 months ended Sept 30, 2011 | 3 months ended Sept 30, 2010 | 9 months ended Sept, 2011 | 9 months ended Sept 30, 2010 |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Subscriptions | $ 18 | $ - | $ 18 | $ - |
| | | | | |
| **EXPENSES** | | | | |
| Direct Costs | (4,160) | - | (4,160) | - |
| Amortisation | (2,062) | (36) | (2,134) | (151) |
| General and administrative | (44,049) | (29,028) | (112,370) | (103,437) |
| Interest Income | 1,385 | 1,574 | 5,344 | 3,884 |
| Gain (loss) on foreign exchange | 4,231 | (2,873) | 1,755 | (512) |
| | | | | |
| **NET AND COMPREHENSIVE LOSS** | (44,637) | (30,063) | (111,547) | (100,216) |

The accompanying notes are an integral part of these interim financial statements.

**QUINSAM CAPITAL CORPORATION**

**INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**

(unaudited)

| | | Share capital | | Reserves | | |
|---|---|---|---|---|---|---|
| | Notes | Number of shares | Amount | Share based payment reserve | Deficit | Total |
| **Restated balance at January 1, 2010** | 7 | **22,350,000** | **$ 1,717,393** | **$ 4,500** | **$ (807,073)** | **$ 914,820** |
| Comprehensive income: | | | | | | |
| Loss for the period | | - | - | - | (100,216) | (100,216) |
| Other comprehensive income (loss) | | - | - | - | - | - |
| Total comprehensive loss for the period | | - | - | - | (100,216) | (100,216) |
| Transactions with owners, in their capacity as owners, and other transfers: | | | | | | |
| Shares issued | | - | - | - | - | - |
| Stock-based compensation | | - | - | - | - | - |
| Total transactions with owners and other transfers | | - | - | - | - | - |
| **Restated balance at Sept 30, 2010** | | **22,350,000** | **$ 1,717,393** | **$ 4,500** | **$ (907,289)** | **$ 814,604** |
| | | | | | | |
| **Restated balance at January 1, 2011** | 7 | **22,350,000** | **$ 1,717,393** | **$ 4,500** | **$ (950,163)** | **$ 771,730** |
| Comprehensive income: | | | | | | |
| Loss for the period | | - | - | - | (111,547) | (111,547) |
| Other comprehensive income (loss) | | - | - | - | - | - |
| Total comprehensive loss for the period | | - | - | - | (111,547) | (111,547) |
| Transactions with owners, in their capacity as owners, and other transfers: | | | | | | |
| Shares issued | | 500,000 | 2,500 | - | - | 2,500 |
| Stock-based compensation | | - | - | - | - | - |
| Total transactions with owners and other transfers | | - | - | - | - | - |
| **Restated balance at Sept 30, 2011** | | **22,850,000** | **$ 1,719,893** | **$ 4,500** | **$ (1,061,710)** | **$ 662,683** |

The accompanying notes are an integral part of these interim financial statements.

**QUINSAM CAPITAL CORPORATION**

**INTERIM STATEMENTS OF CASH FLOWS**

(unaudited)

| | 9 months ended Sept 30, 2011 | 9 months ended Sept 30, 2010 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss | $ (111,547) | $ (100,216) |
| Amortization | 5,575 | 151 |
| Changes in non-cash working capital | | |
| - receivables and prepaid expenses | (11,030) | 6,489 |
| - accounts payable and accrued liabilities | 10,396 | (5,389) |
| Cash flows from operating activities | (106,606) | (98,965) |
| **INVESTING ACTIVITIES** | | |
| Intangible Assets | (134,855) | (74,664) |
| Equipment | - | (481) |
| Cash flows from investing activities | - | (75,145) |
| **DECREASE IN CASH AND CASH EQUIVALENTS** | (241,461) | (174,110) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD** | 710,060 | 920,055 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | $ 468,599 | $ 745,945 |

SUPPLEMENTARY CASH FLOW INFORMATION

(a) The Company issued 500,000 shares valued at $2,500 for the acquisition of software licenses during the 9 month period ending September 30, 2011. There were no non cash investing activities during the 9 months ended September 30, 2010.

## NOTE 1- NATURE OF OPERATIONS

Quinsam Capital Corporation (the "Company") was incorporated under the Canada Business Corporations Act on March 18, 2004 in British Columbia. The Company entered into the merchant banking business during December 2007 and in March, 2010, the Company entered into an online learning business. The Company was previously in the business of acquisition and development of mineral property interests and other assets or businesses related to the resource industry.

These financial statements have been prepared on a going concern basis. The Company has incurred losses since inception and further losses are anticipated in the development of its business raising substantial doubt about the Company's ability to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Changes in accounting policies**
The Company's accounting policies are unchanged since the previous financial report for the period ending March 31, 2011.

**Statement of compliance and conversion to International Financial Reporting Standards**
The interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

These interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2010 which were prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Note 7 discloses IFRS information that is material to an understanding of these consolidated interim financial statements. Where material, the interim consolidated financial statements also include required annual IFRS disclosures if the same disclosure was not previously made under Canadian GAAP.

**Basis of Presentation**
The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

**Use of Estimates and Assumptions**
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates and assumptions relate to the carry value of equipment and the estimation of future income tax rates. Financial results as determined by actual events could differ from those estimates.

**Cash and Cash Equivalents**
The Company considers cash equivalents to be short-term investments with a maturity of ninety days or less at the date of acquisition.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial Instruments**
The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

**Impairment of Assets**
The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Equipment**
Equipment is recorded at cost. Amortization is on a declining balance basis at 30% per annum.

**Intangible Assets**
Intangible asset relates to the website development costs incurred and licensing fees paid. The identifiable and directly associated external and internal costs of acquiring and developing the website are capitalized where it is probably that future economic benefits exceeding costs will flow from use over more than one year and technical feasibility has been established. Costs associated with maintaining the website are recognized as an expense when incurred. Management evaluates the recoverability of intangible asset periodically and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment may exist. All of the Company's identifiable intangible assets that have a finite life are subject to amortization. Website development costs are amortized on a a systematic basis over the websites estimated useful life as future economic benefits are realized. Specifically, the Company amortizes these costs at a rate of 20% per annum. License fees are paid by the Company relating to 3 separate licensing agreements entered into by the Company (See Note 6). License fees are amortized over the length of the license. Amortization of the website development costs and the license fees began on August 18, 2011 when the web site went live.

**Loss per Share**
The Company uses the treasury stock method for the computation of loss per share. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments which assume that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate. Basic net loss per share has been calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is equal to the basic loss per share as the effect of dilutive instruments will be anti-dilutive.

**Stock-based Compensation**
The Company applies the fair value method to all grants of stock options. All stock options granted are accounted for as a capital transaction at the time of the grant and recorded in share-based payments reserve in shareholders' equity. The fair value of options granted is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, volatility factor of the expected market price of the Company's stock, and a weighted average expected life of the options. The estimated fair value of the options is recorded over the options' vesting period. Any consideration paid on amounts attributable to stock options is credited to share capital.

**Deferred Income Taxes**
Deferred income taxes are recorded using the asset and liability method whereby deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, it provides a valuation allowance against the excess.

## NOTE 3 – CASH AND CASH EQUIVALENTS

| | Sept 30, 2011 | December 31, 2010 |
|---|---|---|
| Cash at bank | $ 143,210 | $ 188,741 |
| Money market mutual funds | 325,389 | 521,319 |
| | $ 468,599 | $ 710,060 |

## NOTE 4 – CAPITAL ASSETS

| | Website | Licences | Equipment | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| At December 31, 2010 | $ 74,799 | - | $ 1,140 | $ 75,939 |
| Additions | 11,180 | 126,175 | - | 137,354 |
| Disposals | - | - | - | - |
| At Sept 30, 2011 | 85,979 | 126,175 | 1,140 | 213,293 |
| **Depreciation:** | | | | |
| At December 31, 2010 | - | - | 731 | 731 |
| Charge for the period | 2,026 | 3,442 | 108 | 5,575 |
| Eliminated on disposal | - | - | - | - |
| At Sept 30, 2011 | 2,026 | 3,442 | 839 | 6,306 |
| **Net book value:** | | | | |
| At December 31, 2010 | 74,799 | - | 409 | 75,208 |
| **At Sept 30, 2011** | **$ 83,953** | **122,733** | **$ 301** | **$ 206,987** |

The website is related to the Company's online learning business and became operational August 18, 2011 (See Note 8).

## NOTE 5 - SHARE CAPITAL

Authorized:
Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.
Issued:
At September 30, 2011 there were 22,850,000 issued and fully paid common shares (December 31, 2010 – 22,350,000).

## NOTE 6 – LICENSING AGREEMENTS

The Company has entered into 3 separate licensing agreements related to content to be used in the Company's online learning business. The licensed content includes an online learning system, a math facts fluency program and a spelling program. In all agreements, the Company was responsible for certain development costs, and pays a license fee. The agreements are each for 5 years and are non-exclusive. In conjunction with the agreement related to the online learning system, the Company during the three months ending September 30, 2011 issued the owners of the licensor 500,000 common shares and paid USD 100,000.

## NOTE 7 – TRANSITION TO IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", January 1, 2010 has been considered to be the date of transition to IFRS by the Company (the "Transition Date"). Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

The Company applied the optional transition exemption to full retrospective application of IFRS 2 "Share-based Payment" by not applying the requirements to equity instruments that vested before the Transition Date, which have been accounted for in accordance with Canadian GAAP

In accordance with IFRS 1, an entity's estimates under IFRS at the Transition Date to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

As a result of applying these exemptions, the transition to IFRS had no impact on the Company's financial position, financial performance and cash flows as previously reported under Canadian GAAP.