



**QUIZAM MEDIA CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**MAY 31, 2014 AND 2013**



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## **INDEPENDENT AUDITORS' REPORT**

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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

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**QUIZAM MEDIA CORPORATION****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**(Expressed in Canadian dollars)

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	May 31, 2014	May 31, 2013
	\$	\$
<b>ASSETS</b>		
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
	<hr/> 57,773	<hr/> 86,629
Equipment (Note 3)	33,832	14,143
	<hr/> 91,605	<hr/> 100,772
<b>LIABILITIES</b>		
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
	<hr/> 296,627	<hr/> 393,741
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 6)	12,754,706	11,783,166
Contributed surplus	962,235	755,335
Deficit	(13,921,963)	(12,831,470)
	<hr/> (205,022)	<hr/> (292,969)
	<hr/> 91,605	<hr/> 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"  
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Russ Rossi, Director

/s/ "Jim Rosevear"  
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Jim Rosevear, Director

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

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**QUIZAM MEDIA CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****FOR THE YEARS ENDED MAY 31, 2014 AND 2013**(Expressed in Canadian dollars)

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	2014	2013
	\$	\$
<b>REVENUES</b>		
Training services and software sales	604,788	626,154
On-Track TV sales	67,167	25,622
	<hr/> 671,955	<hr/> 651,776
<b>EXPENSES</b>		
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
	<hr/> (1,767,217)	<hr/> 1,436,290
<b>LOSS BEFORE OTHER ITEMS</b>	(1,095,262)	(784,514)
<b>OTHER ITEMS</b>		
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)
	<hr/> (1,090,493)	<hr/> (799,329)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<hr/> (1,090,493)	<hr/> (799,329)
<b>LOSS PER SHARE BASIC AND DILUTED</b>	<hr/> (0.07)	<hr/> (0.07)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES</b>	<hr/> 16,110,098	<hr/> 10,684,968

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

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**QUIZAM MEDIA CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED MAY 31, 2014 AND 2013**(Expressed in Canadian dollars)

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	2014	2013
	\$	\$
<b>OPERATING ACTIVITIES</b>		
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)
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(767,152)</b>	<b>(594,121)</b>
<b>FINANCING ACTIVITIES</b>		
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
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>740,167</b>	<b>627,238</b>
<b>INVESTING ACTIVITIES</b>		
Payments received on loans receivable	7,485	(162)
Acquisition of equipment	(29,212)	(7,473)
Disposal of equipment	–	4,100
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(21,727)</b>	<b>(3,535)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(48,712)</b>	<b>29,582</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR</b>	<b>37,531</b>	<b>7,949</b>
<b>CASH AND CASH EQUIVALENTS (CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT) – ENDING OF THE YEAR</b>	<b>(11,181)</b>	<b>37,531</b>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Issuance of shares for finders' fees	55,485	27,390
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid (Notes 5 and 11)	5,475	36,592
Income tax paid	–	–

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

**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)

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

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2014 AND 2013**  
(Expressed in Canadian dollars)

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**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.

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**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.



**QUIZAM MEDIA CORPORATION**  
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**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.

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**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.

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**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.

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(Expressed in Canadian dollars)

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**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.

**QUIZAM MEDIA CORPORATION**  
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(Expressed in Canadian dollars)

**3. EQUIPMENT**

<b>Cost</b>	<b>Computer Hardware</b>	<b>Furniture and Fixtures</b>	<b>Leasehold Improvements</b>	<b>Library</b>	<b>Vehicles</b>	<b>Total</b>
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.

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(Expressed in Canadian dollars)

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**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.

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**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).

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**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)



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**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

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**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
	<b>\$ 311,423</b>	<b>\$ 140,754</b>

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.

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**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 \$
<b>Canadian statutory income tax rate</b>	<b>26.0%</b>	<b>25.0%</b>
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)
<b>Income tax recoverable</b>	<b>–</b>	<b>–</b>

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

	2014 \$	2013 \$
<b>Future effective tax rate</b>	<b>26.0%</b>	<b>25.0%</b>
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)
<b>Net deferred income tax assets</b>	<b>–</b>	<b>–</b>

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(Expressed in Canadian dollars)

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**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
<u>2033</u>	<u>896,852</u>
	<u>10,556,448</u>

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.

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**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

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

	<b>2014</b>	<b>2013</b>
	\$	\$
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 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:

	<b>Level</b>	<b>2014</b>	<b>2013</b>
		\$	\$
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.

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**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
<b>Total</b>	<b>\$</b>	<b>438,016</b>

**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.

**Form 51-102F1**  
**Management's Discussion & Analysis (MD & A)**

## **Forward-Looking Information**

This MD&A contains “forward-looking information” that is based on management’s expectations, estimates and projections as of the date of this MD&A. Forward looking information in this MD&A can frequently be identified as incorporating such words as “plans”, “becomes”, “expects”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “may”, “could”, “would”, “might” or “will”. This forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by the forward looking information in this MD&A. Actual results may vary materially from the forward looking information contained in this MD&A. The forward-looking information contained in this MD&A is based on the information available as of the date of this MD&A and we have no intention of updating them except as required by applicable securities law. Numerous events and circumstances could occur subsequent to the date of this MD&A that could cause the actual results, performance or achievements that may be expressed or implied by the forward-looking information.

Forward-looking statements are included in sections 1.2, 1.3, 1.4, 1.6, and 1.8. Examples of such forward looking information included in this MD&A include, but are not limited to, trends in the marketplace favoring both Quizam’s products; the demand for Corporate Computer training being fueled by the increased reliance on computers in the workplace; growing use of the internet helping to improve the awareness and consequent demand for the Quizam product; demand for Quizam’s products increasing; the large global increase in the use of cell phones and internet, together with an increased appreciation for education and training giving the company excellent strategic positioning; all future global License sales will be in Canadian dollars; there can be no assurance that the company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable; the company will continue to improve its cash positions by focusing on increasing sales, improving profitability and equity financings; broadening of On-Track TV; increasing our On-Track TV sales team; significant parental/family demand for study tools; inventory increasing in value; anticipating receiving deferred purchases; management anticipates more Country Licenses coming on board and increased website visits in the coming quarters.

All of the above forward looking statements are subject to significant risks and uncertainties. Certain material risk factors, that could cause actual results to differ materially from the forward-looking information contained in this MD&A include, but is not limited to, changes in the actions of competitors; fluctuations of exchange rates; the trading level of the company’s stock; the continued availability of financing on appropriate terms for future projects; the continued increase of commercial run rates; a decline in market liquidity, and the volatility of global markets. Events and circumstances that occurred during the year ended May 31, 2014, which are reasonably likely

to cause actual results to differ materially are the volatility of the global economy and increased competition which could prevent the company from improving its cash position, improving profitability, increasing Country Licenses or completing necessary financings; decreased usage of the internet, cell phones, and PDA's which could decrease demand for Academic Quizzing software and Quizam's products; the inability to hire appropriate staff and the results of product development activities could prevent further revisions to the software and the development of new products.

The current economy increases the uncertainty of forward looking statements and information included in the MD&A.

## **1.1 Date of Information**

September 29, 2014

## **1.2 Overall Performance**

We are pleased with development of On-Track TV as it has received a great deal of attention in Canada, the United Kingdom and Bahrain. On-Track TV distributes on-line information technology learning over the internet. The business model is based on self-service through a website with residual subscriptions. People are going to the On-Track TV site and using the training.

We continue to enhance On-Track TV's Learning Management System (LMS) with additional features. This is gaining more and more attention from large target corporations. The LMS allows administrators to group users on their team, group assignments to make custom curriculum and to assign custom curriculum to various user groups. Thanks to our Quizam Quizzing Engine, online vignettes now come with their dedicated quizzes. All of the aforementioned new features come with full reporting that allows managers and administrators to monitor their team's usage and progress. More recently we have added an Auto Email Notification system that coaches and reminds participant's to keep up on their learning cycle. It automatically tracks and sends customized intelligent emails to the participant and team leaders.

Though the Canadian economy is strong much of the current global economy is unstable and uncertain. Many other countries such as Greece, France, the United States of America, Bahrain and the United Kingdom are less stable. The company competes in the global marketplace and the instability of the global economy creates a more challenging environment for the company. In addition the strong Canadian dollar makes our product more expensive globally.

It appears that trends in the marketplace are favoring Quizam's On-Track TV product. The demand for corporate computer training is being fueled by the increased reliance on computers in the workplace coupled with the continued releases of new products from software producers like Microsoft.

Our usage and page hits world wide have been increasing as follows: In June, July and August, 2012, we had a total of 166,042 page hits and a total of 126,753 video downloads.



In September, October, November 2012 we had a total of 187,049 page hits and total of 140,953 video downloads. In Q3 December 2012 – February 2013 we had a total of 225,035 page hits and 178,599 video downloads. In Q4 - March 2013 to May 2013 we had 261,000 web visits and 180,460 video downloads. In Q1– June 2013 to August 2013 – Web Visits were at 483,473 (up 191% over the same period last year), Video downloads were 302,394 (up 139% over the same period last year). In Q2 – September 2013 to November 2013, we had a total of 236,976 (up 27%) page hits and 185,431 (up 32%) video downloads. In Q3 – December 2013 to February 2014, we had a total of 192,066 (up 27%) page hits and 157,689 (up 31%) video downloads. In Q4 – March 2014 to May 2014 we had 190,938 web visits and 158,668 video downloads.

We are currently transitioning from face to face training to online training. Our online division is growing faster than the face to face training division and the ontracktv.com website is growing much faster than the On-Track face to face training website.

Quizam has altered its “Exclusivity” agreement with Central Media in the UK. The agreement is now non-exclusive and permits Quizam to work with other partners in the UK for the sale and distribution of ontrackTV.com into the UK market under the name ontrackTV.co.uk. The ontrackTV.co.uk library of online learning videos is sold via annual subscriptions to those seeking to learn about common software packages, Human Resource (HR) training, and Management Leadership Training.

On-Track TV continues to diversify its offering to include far more than just software training.

Our UK partner is continuing to forge new clients for us in the UK market.

In March 2010 we established a new partner in the Middle East. We are looking forward to some success with this new territory as well. We will soon start to deliver an Arabic version of our training.

Until now On-Track TV has focused on information technology computer training, however, due to client demands and custom training requests we are now expanding the curriculum to include soft skill training for corporations. We have added new soft skill courses such as Conflict Resolution in the Workplace, Brain Storming and Increasing Workplace Assertiveness. We have also added 500 new on-line courses in trades including apprentice programs for plumbing, electrical, pipe fitting and carpentry.

In addition to the training services described above, our global strategy with On-Track TV has been to place our tags on partner’s websites; however, revenue from this source has been minimal so far.

The company has two teams familiar with both markets working in Canada and the United Kingdom. Increased demand for On-Track TV has resulted in reassigning some of the Quizam Software team and as a result, Quizam Software development and sales efforts have become secondary to On-Track TV. However, we are still working to develop a free shared online Quizam community.

We are also adding administrative components to On-Track TV which will broaden our corporate appeal. We are looking at broadening On-Track TV to include other broadcasts such as CEO messages, compliance issues, and other customized corporate communication

requirements for clients. We plan to increase our On-Track TV corporate sales team and to sell the product to Fortune 500 companies.

Management feels that the growing use of the internet will help to improve the awareness and consequently demand for the Quizam product.

Management sees the demand for Quizam's products increasing. The global increased use of cell phones and internet, together with an increased appreciation for education and training will give the company excellent strategic positioning. We are currently developing products for handheld devices such as iPhones, Blackberries and Android phones.

The company is continuing to add quizzes to its internet library. Many of the topics are classic and timeless. As this library continues to grow it becomes a valuable asset to the company. The company is exploring ways of accelerating the growth of this library either through corporate purchases of content or perhaps a "community" sharing model where quizzes can be added by global users. In either case management sees this inventory increasing in value as time goes on.

In December 2013 the Company moved its offices to 885 West Georgia Street, Vancouver, BC. The new space has a better layout and saves almost \$120,000 per year in rent.

Management believes that overall performance is improving. Revenues have increased during the year ended May 31, 2014 over the year ended May 31, 2013

### 1.3 Selected Annual Information

	Year-Ended May 31, 2014 \$	Year-Ended May 31, 2013 \$	Year-Ended May 31, 2012 \$
a) Total revenue	671,955	651,776	637,571
b) Net loss before other items	(1,095,262)	(784,514)	(1,015,571)
c) Net loss	(1,090,493)	(799,329)	(1,014,195)
c) Net loss (per share)	(0.07)	(0.07)	(0.04)
d) Total assets	91,605	100,772	91,256
e) Long-term liabilities	0	0	0
f) Cash dividends	0	0	0

International Financial Reporting Standards has been employed in all accounting transactions and the reporting currency is Canadian dollars.

Revenue for the year ended May 31, 2014 increased from the year ended May 31, 2013 as a result of expanding our training and offering more soft skill courses to attract a broader spectrum of clients. Revenue also increased because of a complimentary upgrade to the On-Track TV service and the grouping of classes together to create larger classes that generate more business. Finally, our new once a month free lunch and learn sessions have attracted new corporate customers and increased sales.

Revenue for the year ended May 31, 2013 increased from the year ended May 31, 2012 as a result of expanding our training to attract a broader spectrum of clients. Revenue also increased because of a complimentary upgrade to the On-Track TV service and the grouping of classes together to create larger classes that generate more business. Finally, our new once a month free lunch and learn sessions have attracted new corporate customers and increased sales.

Loss before other items and net loss increased during the year ended May 31, 2014 from the year ended May 31, 2013 as result of an increase in operating expenses partially offset by an increase in revenue. Operating expenses increased primarily as a result of an increase in share-based compensation, professional fees, investor and finance development, management fees and On-Track TV development costs. Total assets decreased as a result of a decrease in cash offset by an increase in taxes recoverable and equipment.

Loss before other items and net loss decreased during the year ended May 31, 2013 from the year ended May 31, 2012 as result of a decrease in operating expenses and an increase in revenue. Operating expenses decreased as a result of attempting to streamline operations. Total assets increased as a result of an increase in cash offset by a decrease in receivables and equipment.

## **1.4 Results of Operations**

Revenue for the year ended May 31, 2014 increased from \$651,776 during the year ended May 31, 2013 to \$671,955. Revenue increased as a result of focusing on higher revenue training such as Project Management and Soft Skill HR Training, setting minimums for which we will deliver courses and attracting more business by offering On-track TV as a discount when customers book courses. Each quarter we assess the popularity of courses and we add more profitable courses and drop the less profitable courses. In addition we are paying strict attention to the previous year's revenue numbers and targeting to beat them by a minimum of 10%.

Loss before other items increased to \$1,095,262 (2013 - \$784,514) during the year ended May 31, 2014. Operating expenses increased during 2014 mainly as a result of an increase in investor and finance development, management fees and office and miscellaneous expenses. . During the year ended May 31, 2014, there was a decrease in interest on related party debt, rent and software development costs for Quizam software. A portion of this decrease was offset by an increase in operating expenses. This also resulted in an increase in net loss of \$291,164 for the year ended May 31, 2014 to \$1,090,493.

The significant changes were as follows:

- Accounting and legal expenses increased to \$198,600 for the year ended May 31, 2014 (2013 - \$158,493). This increase is a result of extra legal costs involved with contract negotiations for our new lease resulting from our moving premises. Also the company underwent a reverse split and adoption of new minutes to the company charter during our last AGM. And finally the company has been modernizing and stream lining its account procedures which takes time and money at the front end of the re-structuring.
- Investor and finance development increased to \$182,623 for the year ended May 31, 2014 (2013 – \$74,687). This increase was a result of management developing a new strategy for the company’s operation in the future.
- Management fees increased to \$144,000 for the year ended May 31, 2014 (2013 - \$58,400). The increase was a result of management spending more time on financial reporting and also spent time setting up new premises and developing a new strategy for the new premises.
- Office and miscellaneous fees increase to \$156,875 for the year ended May 31, 2014 (2013 – \$59,531). This increase was mostly due to the office move in December where the several extra costs were incurred. Noted however that rent was reduced as the company enjoyed rent reductions as inducements for moving.
- On-Track TV development costs increased to \$209,929 for the year ended May 31, 2014 (2013 - \$158,885).The increase in On-Track TV costs is a result of increased advertising from \$247 in fiscal 2013 to \$21,400 in fiscal 2014 and increased salaries from \$155,843 in fiscal 2013 to \$186,411 in fiscal 2014.
- Software development costs decreased to \$61,883 for the year ended May 31, 2014 (2013 - \$87,239).The decrease is a result of laying off staff to reduce costs.
- Share based compensation was \$209,300 for the year ended May 31, 2014 (2013 – \$133,810). This increase was a result of granting 1,700,000 stock options during the year ended May 31, 2014 as compared to granting 573,333 stock options during the year ended May 31, 2013.
- Wages and benefits increased to \$240,385 for the year ended May 31, 2014 (2013 - \$237,652). The increase is a result of incentive payments paid to staff for creating sales and for an increase in the number of staff.

The company’s cash position has decreased during the year ended May 31, 2014, due to increase of operating expenses, acquisition of leasehold improvement for new premises, and repayment of promissory notes. Our training division continues to improve its performance and management feels we are gaining more market share every quarter. We are blending out On-Track TV with our face to face offerings to attract more large clients.

## **1.5 Summary of Quarterly Results**

The effect of applying the treasury stock method to the company’s loss per share calculation is antidilutive. Therefore basic and diluted losses per share are equal for the periods presented.

The quarterly periods in the table below are presented under International Financial Reporting Standards.

Description	May 31, 2014	February 28, 2014	November 30, 2013	August 31, 2013	May 31, 2013	February 28, 2013	November 30 2012	August 31, 2012
Net Sales	\$149,252	\$157,859	\$164,197	\$200,647	\$193,581	\$144,134	\$178,245	\$135,816
Income or (loss) before other items	\$(472,091)	\$(235,065)	\$(295,705)	\$(92,401)	\$(186,621)	\$(292,149)	\$(173,100)	\$(132,644)
Net Income or (loss) for the period	\$(468,828)	\$(234,202)	\$(295,507)	\$(91,956)	\$(206,326)	\$(287,587)	\$(172,835)	\$(132,581)
Net income (Loss) before other items per share basic and diluted	\$(0.04)	\$(0.02)	\$(0.01)	\$(0.00)	\$(0.03)	\$(0.03)	\$(0.01)	\$(0.00)
Income (Loss) per share basic and diluted	\$(0.04)	\$(0.02)	\$(0.01)	\$(0.00)	\$(0.03)	\$(0.03)	\$(0.01)	\$(0.00)

Revenue increased during the three months ended November 30, 2012, as there has been an increase in On-Track TV and face to face business. Net loss decreased during the second quarter ended November 30, 2012, over the first quarter ended August 31, 2012 as a result of increased revenue and decreased operating expenses.

Revenue decreased during the three months ended February 28, 2013, as there has been a decrease in On-Track TV and face to face business. Net loss decreased during the third quarter ended February 28, 2013, over the second quarter ended November 30, 2012 as a result of decreased revenue.

Revenue increased during the three months ended May 31, 2013, as a result of expanding our training, offering a complimentary upgrade to the On-Track TV service, grouping classes together to create larger classes which generate more business and new promotions that attracted new corporate customers and increased sales. Net loss decreased during the fourth quarter ended May 31, 2013, over the third quarter ended February 28, 2013 as a result of increased operating expenses.

Revenue increased during the three months ended August 31, 2013, as a result of expanding our training, offering a complimentary upgrade to the On-Track TV service, grouping classes together to create larger classes which generate more business and new promotions that attracted new corporate customers and increased sales. Net loss decreased during the first quarter ended August 31, 2013, over the fourth quarter ended May 31, 2013 as a result of increased revenue and a decrease in operating expenses.

Revenue decreased during the three months ended November 30, 2013, as there has been a decrease in On-Track TV and face to face business. Net loss increased during the second quarter ended November 30, 2013, over the first quarter ended August 30, 2013 as a result of decreased revenue and increased operating expenses.

Revenue decreased during the three months ended February 28, 2014, as there has been a decrease in On-Track TV and face to face business. Net loss decreased during the third quarter ended February 28, 2014, over the second quarter ended November 30, 2013 as a result of decreased revenue and decreased operating expenses.

Revenue increased during the three months ended May 31, 2014, as there has been a increase in On-Track TV and face to face business. Net loss increased during the fourth quarter ended May 31, 2014, over the third quarter ended February 28, 2014 as a result of increased revenue and increased operating expenses.

## 1.6 Liquidity

The company's liquidity has increased at May 31, 2014 since May 31, 2013.

	May 31, 2014	May 31, 2013
Cash and cash equivalents (bank overdraft)	(\$11,181)	\$37,531
Amounts receivable & prepaid expenses	\$57,773	\$49,098
Accounts payable and accrued liabilities	\$149,227	\$123,385
Due to a related party	\$76,896	\$121,287
Promissory notes payable	\$23,093	\$130,779

As at May 31, 2014, the Company had cash and cash equivalents of negative \$11,181 and a working capital deficiency of \$238,854, compared to cash of \$37,531 and a working capital deficiency of \$307,112 at May 31, 2013. The company's decrease in cash is attributable to an increase operating expenditures.

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 184,333 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.

During the year ended May 31, 2013, there were 350,000 warrants and no options exercised.

During the year ended May 31, 2014 the Company used \$767,152 of cash for operating activities compared to \$594,121 in the comparative period. The Company has financed its operations for the last two years mainly through the issuance of share capital, issuance of promissory notes payable and advances from related parties. The Company has raised \$840,479 and \$540,186 net of share issuance costs, through the issuance and subscription of share capital during the year ended May 31, 2014 and 2013, respectively. The Company also raised \$11,691 through the issuance of promissory notes payable during the year ended May 31, 2013 as compared to the repayment of \$105,787 of promissory notes during the year ended May 31, 2014. The Company has incurred losses as it continues to develop its software products. The Company continues to be dependent on its cash reserves and future financings.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when required, the Company may be required to delay or scale o back its software development and marketing. Any equity offerings will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Currently the Company has insufficient funds to meet its requirements for the coming year. It will continue to improve its cash positions by focusing on increasing sales, improving profitability and equity financings.

## **1.7 Capital Resources**

The company's capital currently consists of common shares, options and warrants. As the company is in the development stage, its principal source of funds is from the issuance of common shares. The company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to meet the company's educational software development and internet training development to ensure the growth of activities.

The company's only capital commitment is an office lease through June 2017. The minimum lease payments over the remaining lease term are as follows: 2015 - \$142,059; 2016 - \$142,059; 2017 - \$142,059; 2018 - \$11,839.

## **1.8 Off-balance Sheet Arrangements**

The company did not enter into any off-balance sheet arrangements during the year.

## 1.9 Transactions with Related Parties

### (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

### (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.

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 totaling \$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.



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.

## **1.10 Fourth Quarter**

Revenue increased during the fourth quarter ended May 31, 2014, as there has been a increase in On-Track TV and face to face business. Net loss increased during the fourth quarter ended May 31, 2014, over the third quarter ended February 28, 2014 as a result of increased revenue and increased operating expenses. The company also raised an additional \$440,000 in equity financings during the fourth quarter.

## **1.11 Proposed Transactions**

The company plans to continue to focus on growth and profitability. The main strategies in the process include:

- a) Strict focus on increasing gross sales in each month compared to the same month in previous year;
- b) Increase of pricing in all areas;
- c) Huge expansion of course offerings beyond IT and computer training. Some of the new course offerings include customer service, conflict resolution, minute note-taking, and project management;
- d) Special marketing team devoted to gaining fortune 500 companies as clients for On-Track TV;
- e) Continue to develop On-Track TV markets in the UK, North America, Bahrain(Middle East) and Australia;
- f) Add quizzing component to On-Track TV where users are quizzed after viewing content;
- g) Offering web development services under the name On-Track Web Development. This enables us to leverage our in house team and increase revenue; and
- h) Continue to enhance the LMS (learning management system) of the On-Track TV website.
- i) Further development of the UK market.
- j) Full scale animation and film productions in the areas of non-fiction and education.

## **1.12 Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates. Significant areas requiring the use

of management estimates relate to revenue recognition, the recognition of deferred income tax assets and share-based compensation. Actual results could differ from these estimates.

## **1.13 Changes in Accounting Policies**

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.

*Future Accounting Changes:*

New accounting standards effective for the company on June 1, 2014 or later:

***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.

## 1.14 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 carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. 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:

a) 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.

b) Financial liabilities

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

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

	<b>2014</b>	<b>2013</b>
	\$	\$
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) 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	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 minimize 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 evaluation of its customers' financial condition and requires letters of credit or other guarantees whenever deemed appropriate. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The following table provides information regarding the ageing of financial assets that are past due but which are not impaired as at May 31, 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 ensures its holding of cash and cash equivalents is sufficient to meet its short-term exploration, development, and general and administrative expenditures. The Company's cash equivalents are invested in business guaranteed investment certificates which are immediately available on demand when required.

**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.

## 1.15 Additional Information

Additional information about the company is available on SEDAR (Website: [www.sedar.com](http://www.sedar.com))

## Outstanding Share Data

The following table summarizes the outstanding share data as of the date of the MD&A:

	Number of shares Issued or issuable
Common shares	23,280,662
Stock options	1,513,333
Warrants	5,198,571

## 1.16 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 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.