Quizam Media Corporation

QUIZAM MEDIA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

AUGUST 31, 2014 AND 2013

QUIZAM MEDIA CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	August 31, 2014 $	May 31, 2014 $
ASSETS		
Current		
Cash and cash equivalents	15,767	–
Accounts receivable	32,471	21,303
Prepaid expenses and deposits	15,008	18,091
Taxes recoverable	18,422	14,954
Loans receivable (Note 4)	3,425	3,425
	85,093	57,773
Equipment (Note 3)	59,795	33,832
	144,888	91,605
LIABILITIES		
Current		
Cheques written in excess of funds on deposit	–	11,181
Accounts payable and accrued liabilities	127,088	149,227
Deferred revenue	36,230	36,230
Due to a related party (Note 11)	171,428	76,896
Promissory notes payable (Note 5)	23,093	23,093
	357,839	296,627
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 6)	12,754,706	12,754,706
Share Subscription (Note 16)	56,420	–
Contributed surplus	962,235	962,235
Deficit	(13,986,312)	(13,921,963)
	(212,951)	(205,022)
	144,888	91,605

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

APPROVED ON BEHALF OF THE BOARD ON OCTOBER 30, 2014:

/s/ "Russ Rossi"
Russ Rossi, Director

/s/ "Jim Rosevear"
Jim Rosevear, Director

QUIZAM MEDIA CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED AUGUST 31, 2014 AND 2013

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Three Months Ending August 31 2014 $	Three Months Ending August 31 2013 $
REVENUES		
Training services and software sales	147,528	196,920
On-Track TV sales		295
U.K. Software Sales	–	3,432
	147,528	200,647
EXPENSES		
Accounting and legal	15,300	9,700
Advertising and promotion	5,391	–
Automobile	3,463	3,844
Bank charges and finance fees	2,431	653
Depreciation	8,567	2,199
Interest on related party debt	–	3,350
Investor and finance development	8,550–	27,438
Management fees	36,000	24,000
Office and miscellaneous	12,076	21,849
On-Track TV development costs (Note 10)	3,845	58,185
Regulatory fees	–	1,675
Rent	48,178	57,847
Software development costs (Note 10)	15,000–	5,291
Subcontractors	15,770	6,479
Telephone	2,340	4,448
Travel and business development	7,227	(303)
Wages and benefits	42,327	66,393
	211,877	293,048
LOSS BEFORE OTHER ITEMS	(64,349)	(92,401
OTHER ITEMS		
Interest income	–	69
Foreign exchange gain	–	376
NET LOSS AND COMPREHENSIVE LOSS	(64,349)	(91,956)
LOSS PER SHARE BASIC AND DILUTED	(0.00)	(0.00)
WEIGHTED AVERAGE NUMBER OF SHARES	23,280,662	37,078,252

QUIZAM MEDIA CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED AUGUST 31, 2014 AND 2013

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	2014 $	2013 $
OPERATING ACTIVITIES		
Net loss	(64,349)	(91,956)
Items not affecting cash:		
Depreciation	8,567	2,199
	(55,872)	(89,757)
Changes in non-cash working capital items:		
Accounts receivable	(29,590)	(41,336)
Prepaid expenses and deposits	(3,083)	(26,882)
Taxes recoverable	(3,468)	(1,033)
Accounts payable and accrued liabilities	(22,139)	(54,709)
Deferred revenue	–	(8,627)
CASH USED IN OPERATING ACTIVITIES	(138,650)	(222,344)
FINANCING ACTIVITIES		
Issuance of shares upon the exercise of warrants and stock options	–	10,000
Advances from/to related parties	119,120	(39,078)
Issuance of promissory notes payable	–	(109,610)
Share Subscription	56,420	336,000
Issuance of common shares, net	–	–
CASH PROVIDED BY FINANCING ACTIVITIES	175,540	197,312
INVESTING ACTIVITIES		
Payments received on loans receivable	–	2,710
Acquisition of equipment	(34,530)	–
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(34,530)	2,710
DECREASE IN CASH AND CASH EQUIVALENTS	26,948	(22,322)
CASH AND CASH EQUIVALENTS – BEGINNING OF THE PERIOD	(11,181)	37,531
CASH AND CASH EQUIVALENTS – END OF THE PERIOD	15,767	15,209

SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–

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

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR The PERIOD ENDED AUGUST 31, 2014 AND 2013

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Number of Common Shares	Amount $	Contributed Surplus $	Share Subscriptions $	Deficit $	Total $
At May 31, 2013	36,988,252	11,783,166	755,335	–	(12,831,470)	(292,969)
Stock options exercised	40,000	4,000	–	–	–	4,000
Warrants exercised	50,000	6,000	–	–	–	6,000
Share subscriptions received	–	–	–	336,000	–	336,000
Net loss for the period	–	–	–	–	(91,956)	(91,956)
As at August 31, 2013	37,078,252	11,793,166	755,335	336,000	(12,923,426)	(38,925)
At May 31, 2014	23,280,662	12,754,706	962,235	–	(13,921,963)	(205,022)
Share subscriptions received	–	–	–	56,420	–	56,420
Net loss for the period	–	–	–	–	(64,349)	(64,349)
As at August 31, 2014	23,280,662	12,754,706	962,235	56,420	(13,986,312)	(212,951)

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 had a history of significant losses, sizeable accumulated deficits and limited working capital. The Company's ability to continue as a going concern may therefore be dependent on completing equity financing, obtaining support from related parties or generating consistent profitable operations in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Statements.*

b) Basis of measurement and presentation

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to revenue recognition, the recognition of deferred income tax assets and share-based compensation. These 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiary, On-Track Computer Training Ltd. (“On-Track”). On-Track Computer Training Ltd. was incorporated in Canada and is 100% owned by Quizam Media Corporation. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

d) Foreign currency translation

Foreign currency denominated assets and liabilities of operations are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses are converted at the average exchange rate for the reporting period. Gains or losses on translation are included in operations. The Company’s functional and presentation currency is the Canadian dollar.

e) Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

f) Equipment 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

h) Loans receivable and notes payable

Loans receivable and notes payable are carried at amortised cost using the effective interest method. Finance charges are deferred and recognized over the life of the loan.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Revenue recognition

i. Training revenue

Training revenues are recorded when a student attends a course, this is the date at which the stage of completion and costs of the transaction can be reliably measured, the amount of revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Company.

ii. On-Track TV revenue

On-Track TV revenues are those whereby customers sign up and pay for access to a video library. The revenues are recorded when access to the On-Track TV website has been granted and collection is probable.

iii. Software revenue

The Company records revenue from the sale of software when the customers download the software from the Company's website and collection is reasonably assured which is generally when direct payment is received.

iv. License fee revenue

License fees are recorded in the accounts when all conditions have been met under the license agreement, the licensee is satisfied with the operations of the software, and collection is probable, which is generally when payment is received.

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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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.

ii. Financial liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New accounting standards adopted effective June 1, 2014

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:

IAS 36 – Impairment of Assets

In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or a CGU's recoverable amount is based on fair value less costs of disposal. The adoption of this standard had no significant impact on the Company's consolidated financial statements.

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

q) New accounting standards not yet adopted

IFRS 15 – Revenue from Contracts with Customers

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

IFRS 9 – Financial Instruments

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

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

3. EQUIPMENT

Cost	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Library	Vehicles	Total
As at May 31, 2013	$ 357,988	$ 76,560	$ –	$ 4,280	$ –	$ 433,828
Additions	4,593	–	24,617	–	–	29,210
Disposals	–	–	–	–	–	–
As at May 31, 2014	$ 357,581	$ 76,560	$ 24,617	4,280	$ –	$ 463,038
Additions	34,530	–	–	–	–	34,530
As at Aug 31, 2014	$ 392,111	$ 76,560	$ 24,617	$ 4,280	$ –	$ 497,568
Accumulated Depreciation						
As at May 31, 2013	$ 344,313	$ 71,820	$ 1,799	$ 3,552	$ –	$ 419,685
Depreciation	5,862	1,471	–	312	–	9,521
Disposals	–	–	–	–	–	–
As at May 31, 2014	$ 350,175	$ 73,291	$ 1,799	$ 3,941	$ –	$ 429,206
Depreciation	7,587	366	450	164	–	8,567
As at Aug 31, 2014	$ 357,762	$ 73,657	$ 2,428	$ 4,105	$ –	$ 437,773
Carrying Amounts						
Balance, May 31, 2014	$ 7,406	$ 3,269	$ 22,818	$ 339	$ –	$ 33,832
Balance, Aug 31, 2014	$ 34,349	$ 2,903	$ 22,189	$ 175	$ –	$ 59.795

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 August 31, 2014, the balance due is $3,425 (May 31, 2014 - $3,425) including interest.

5. PROMISSORY NOTES PAYABLE

On September 20, 2011, the Company signed a promissory note payable to a company owned by a significant shareholder in the principal sum of $125,000. The loan bears interest at 15% per annum. The note term is for a maximum of 12 months. However, the Company may pay parts or all of it off earlier. On September 20, 2012, the term of the note was amended and the note is now payable on demand. In fiscal 2013, the Company received an additional $73,450 of the promissory notes payable, repaid $20,000 in cash and directed note repayments totalling $60,000 towards 600,000 unit subscriptions within the March 2013 private placement described. In fiscal 2014, an amount of $113,161 of debt repayments related to the note payable was directed toward 2,263,220 unit subscriptions within a private placement.

At August 31, 2014, the promissory note payable balance is $23,093 (May 31, 2014 - $23,093) including interest and finance fees.

6. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common voting shares without par value. Disclosures on any common shares issued are also provided in the Statements of Changes in Equity.

On October 16, 2012, the Company enacted a two for one common share consolidation. 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 share consolidations.

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.

7. STOCK OPTIONS (continued)

The following table summarizes the continuity of the Company's stock options:

	Number of underlying shares	Weighted Average Exercise Price $
Outstanding, May 31, 2014 and August 31, 2014	1,983,333	0.21

All of the options outstanding at August 31, 2014 and May 31, 2014 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as at May 31, 2014 was 1.36 years (May 31, 2014 - 1.61 years).

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, 2014 and August 31, 2014	6,665,238	0.31

At August 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 (subsequently expired)
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		

9. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

The Company derives sales from training services and software sales.

(a) Training Services and UK On-Track TV Sales for the three month periods ended August 31:

	2014	2013
	$	$
Revenue	-	295
Expenses	(3,845)	(3,328)
Profit (loss)	(3,845	(3,033)

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

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	147,528	196,920
U.K.	–	4,045

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 the statement of operations, and comprehensive loss and deficit, for the three month period ended August 31, 2014 and 2013 are as follows:

	2014	2013
	$	$
Salary, wages and fees (management, programming and marketing)	3,455	57,800
Materials	–	385
Marketing	–	–
Advertising and promotion	390	-
	3,845	58,185

10. PRODUCT DEVELOPMENT COSTS (continued)

(b) Quizam software

The costs associated with development of the Quizam educational software, which are included in the statement of operations, and comprehensive loss and deficit, for the three month periods ended August 31, 2014 and 2013 are as follows:

	2014 $	2013 $
Salary, wages and fees (management, programming and marketing)	15,000	5,291
Advertising and promotion	–	–
	15,000	5,291

11. RELATED PARTY TRANSACTIONS

(a) Management transactions

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:

	August 31, 2014	August 31, 2013
Wages and benefits, and management fees	$ 36,000	$ 102,767
Share-based payments	–	–
	$ 36,000	$ 102,767

For the period ended August 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 August 31, 2014, the Company owed $171,428 (May 31, 2014 - $76,896) to a significant shareholder, who is also a director and officer and to a company owned by his relative.

12. CAPITAL DISCLOSURE

The Company's capital currently consists of common shares, options and warrants for a total amount of $13,773,361 (May 31, 2014 – $13,716,941). 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.

13. LINE OF CREDIT

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, loans receivable, accounts payable, due to related parties and promissory notes payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

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

	August 31, 2014	**May 31, 2014**
	$	$
FVTPL (i)	15,767	-
Loans and receivables (ii)	35,896	24,728
Other financial liabilities (iii)	(326,107)	(231,197)

(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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market date.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

	Level	August 31, 2014	May 31, 2014
		$	$
Cash and cash equivalents	1	15,767	-

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of 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.

Of the balance outstanding at August 31, 2014, 78% has been subsequently collected as at October 30, 2014.

Liquidity Risk

The Company ensures its holding of cash and cash equivalents is sufficient to meet its short-term development, and general and administrative expenditures. The Company's cash equivalents are invested in business guaranteed investment certificates which are immediately available on demand when required. The Company does not have investments in any asset backed deposits.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 0% 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 Rate Risk

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

15. COMMITMENTS

The Company has signed rental agreement effective until June 29, 2017 and has committed to rental payments of the total of $402,501 payable as follows:

May 31, 2015	$	106,544
May 31, 2016		142,059
May 31, 2017		142,059
May 31, 2018		11,839
Total	**$**	**402,501**

16. SUBSEQUENT EVENTS

On September 30 2014 the Company completed a private placement consisting of 4,233,333 common shares at a price of $0.03 per share for proceeds of $127,000. The Company issued finders fees of 256,666 common shares. During the three month period ended August 31, 2014, the Company received proceeds of $56,420 which are included in share subscriptions in the interim consolidated statement of financial position.

On September 30, 2014, the Company granted 350,000 stock options exercisable for a 24 month term, at an exercise price of $0.15 per share in the first year and $0.20 per share in the second year.

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

Form 51-102F2
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, 1.4, 1.5, 1.6, and 1.11. 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-TrackTV; increasing our On-TrackTV 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 three months ended August 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

October 30, 2014

1.2 Overall Performance

We are pleased with development of On-TrackTV as it has received a great deal of attention in Canada, the United Kingdom and Bahrain. On-TrackTV 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-TrackTV site and using the training.

We continue to enhance On-TrackTV'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-TrackTV 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 for the each of the last eight quarters are as follows

Fiscal quarter ended:	Page Hits	Video Downloads
August 31, 2014*** (see note below)	46,954	26,821
May 31, 2014	190,938	158,668
February 28, 2014	192,066	157,689
November 30, 2013	236,976	185,431
August 31, 2013	483,473	302,394
May 31, 2013	261,000	180,460
February 28, 2013	225,035	178,599
November 30, 2012	187,049	140,953

(note*** starting June 2014 we introduced new strict filters that have zero tolerance with “web Bots” that stroll the Web checking out sites, as well all Page Hits must land for minimum of 4 seconds and Video Downloads must view for a minimum of 50% of the lesson. This produces more accurate sense of site usage and viewings.)

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-TrackTV 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-TrackTV 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-TrackTV 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-TrackTV 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-TrackTV. However, we are still working to develop a free shared online Quizam community.

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

In October, 2014, the Company announced the opening of a new Entertainment Division. The Company will be a producer/aggregator of family entertainment. In October, 2014 the Company also announced the appointment of Lewis Schoenburn, Jacquie Wechselberger and Uwe Boll as members of the Company's Advisory Board.

Management believes that overall performance is improving.

1.4 Results of Operations

Revenue for the three months ended August 31, 2014 decreased from $200,647 during the three months ended August 31, 2013 to $147,528. Revenue decreased as a result of the new premises requiring modifications and renovations that reduced our ability to provide our normal load of training. Loss before other items decreased to $64,349 (2013 - $92,401) during the three months ended August 31, 2014. Operating expenses decreased during 2014 mainly as a result of a decrease in investor and finance development, office and miscellaneous, On-Track TV development costs, and wages and benefits. This also resulted in a decrease in net loss of $27,607.

The significant changes were as follows:

- Accounting fees increased to $15,300 for the three months ended August 31 2014 (2013 – 9,700). The increase is a result of management focus more time and effort to improve the overall performance in financial aspect and a new accounting team being put in place.
- Management fees increased to $36,000 for the three months ended August 31, 2014 (2013 - $24,000). The increase is a result of management fees reverting back to normal. Last year for the same period, a discount was offered to help with cash flow.
- On-Track TV development costs decreased to $3,845 for the three months ended August 31, 2014 (2013 - $58,185). The decrease in On-Track TV costs is a result of management focusing more time and effort on the development for new schedule and marketing planning according the recent changes in economic environment.
- Software development costs increased to $15,000 for the three months ended August 31, 2014 (2013 - $5,291). The increase is a result of a new mobile Quiz App that the Company plans to introduce in November , 2014.
- Subcontractors' costs increased to $15,770 for the three months ended August 31, 2014 (2013 – $6,479) as a result of the Company moving to using less full time workers and thereby saving money on down time and benefits.
- Wages and benefits decreased to $42,327 for the three months ended August 31, 2014 (2013 - $66,393). The decrease is a result of the Company using more contractors and outsourcing certain work.

The Company's cash position has increased during the three months ended August 31, 2014, due to decrease of operating expenses, advances from related parties, and receipt of share subscriptions. The amount of accounts receivable has increased from May 31, 2014 to August 31, 2014. Our training division continues to improve its performance and management feels we are gaining more market share every quarter. We are blending out On-TrackTV 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	August 31, 2014	May 31, 2014	February 28, 2014	November 30 2013	August 31, 2013	May 31, 2013	February 28, 2013	November 30, 2012
Net Sales	$147,528	$149,252	$157,859	$164,197	$200,647	$193,581	$144,134	$178,245
Income or (loss) before other items	$(64,349)	$(472,091)	$(235,065)	$(295,705)	$(92,401)	$(186,621)	$(292,149)	$(173,100)
Net Income or (loss) for the period	$(64,349)	$(468,828)	$(234,202)	$(295,507)	$(91,956)	$(206,326)	$(287,587)	$(172,835)
Net income (Loss) before	$(0.00)	$(0.04)	$(0.02)	$(0.01)	$(0.00)	$(0.03)	$(0.03)	$(0.01)

other items per share basic and diluted Income (Loss) per share basic and diluted	$(0.00)	$(0.04)	$(0.02)	$(0.01)	$(0.00)	$(0.03)	$(0.03)	$(0.01)

Revenue decreased during the three months ended February 28, 2013, as there has been a decrease in Ontrack-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-TrackTV 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-TrackTV 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 3010, 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 decreased during the three months ended May 31, 2014, as there has been a decrease 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 decreased revenue and increased operating expenses.

Revenue decreased during the three months ended August 31, 2014, as there has been a decrease in On-Track TV and face to face business. Net loss decreased during the first quarter ended August 31, 2014, over the fourth quarter ended May 31, 2014 as a result of decreased revenue and decreased operating expenses.

1.6 Liquidity

The Company’s liquidity has decreased at August 31, 2014 since May 31, 2014.

	August 31, 2014	May 31, 2014
Cash and cash equivalents (bank overdraft)	$15,767	($11,181)
Amounts receivable & prepaid expenses	$69,326	$57,773
Accounts payable and accrued liabilities	$127,088	$149,227
Due to a related party	$171,428	$76,896
Promissory notes payable	$23,093	$23,093

As at August 31, 2014, the Company had cash and cash equivalents of $15,767 and a working capital deficiency of $272,746, compared to bank overdraft of $11,181 and a working capital deficiency of $238,854 at May 31, 2014. The Company's increase in cash is attributable to a decrease in operating expenditures and advances provided by related parties, as well as proceeds from share subscriptions.

During the three months ended August 31, 2014 the Company used $138,650 of cash for operating activities compared to $222,344 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 $56,420 and $346,000 through subscription of share capital during the three month periods ended August 31, 2014 and 2013, respectively. The Company received $119,120 through advances from related parties during the three months ended August 31, 2014. During the three months ended August 31, 2013, the Company repaid $109,610 of promissory notes payable and also repaid $39,078 to related parties. 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 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 - $106,544; 2016 - $142,059; 2017 - $142,059; 2018 - $11,839.

1.9 Transactions with Related Parties

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties as follows:

	August 31, 2014	August 31, 2013
Wages and benefits, and management fees	$ 36,000	$ 102,767
Share-based payments	–	–
	$ 36,000	$ 102,767

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

At August 31, 2014, the Company owed $171,428 (May 31, 2014 - $76,896) to a significant shareholder, who is also a director and officer and to a company owned by his relative.

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 the consolidated 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 periods reported. 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, 2014:

IAS 36 – Impairment of Assets
In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or a CGU's recoverable amount is based on fair value less costs of disposal. The adoption of this standard had no significant impact on the Company's consolidated financial statements.

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

Future Accounting Changes:
New accounting standards effective for the Company on June 1, 2015 or later:

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 it its contractual obligations are discharged, cancelled or expire.

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

	August 31,	**May 31,**

	2014 $	2014 $
FVTPL (i)	15,767	-
Loans and receivables (ii)	54,318	24,728
Other financial liabilities (iii)	(326,107)	(231,197)

(i) Cash and cash equivalents
(ii) Accounts receivable and loans receivable
(iii) Accounts payable, amounts due to a related party and promissory notes payable

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market date.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

	Level	**August 31, 2014** $	**May 31, 2014** $
Cash and cash equivalents	1	15,767	-

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to 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 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.

Of the balance outstanding at August 31, 2014, 78% has been subsequently collected as at October 30, 2014.

Liquidity Risk

The Company ensures its holding of cash and cash equivalents is sufficient to meet its short-term development, and general and administrative expenditures. The Company's cash equivalents are invested in business guaranteed investment certificates which are immediately available on demand when required. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

As the Company 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 nil% 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 Rate 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)

Outstanding Share Data

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

	Number of shares Issued or issuable
Common shares	27,770,661
Stock options	1,863,333
Warrants	5,198,571

1.13Subsequent Events

On September 30 2014 the Company completed a private placement consisting of 4,233,333 common shares at a price of $0.03 per share for proceeds of $127,000. The Company issued finders fees of 256,666 common shares. During the three month period ended August 31, 2014, the Company received proceeds of $56,420 which are included in share subscriptions in the interim consolidated statement of financial position.

On September 30, 2014, the Company granted 350,000 stock options exercisable for a 24 month term, at an exercise price of $0.15 per share in the first year and $0.20 per share in the second year.

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