



ZOOMERMEDIA LIMITED

**INTERIM FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2009**

(UNAUDITED)

(An auditing firm has not reviewed nor audited these financial statements)

ZOOMERMEDIA LIMITED

Interim Balance Sheets

As at September 30, 2009 and June 30, 2009

(Unaudited)

	September 30, <u>2009</u>	June 30, <u>2009</u>
ASSETS		
Current		
Cash and short term deposits	\$ 625,397	\$ 1,507,434
Accounts receivable (Note 14)	2,378,462	1,848,413
Income taxes recoverable	12,195	12,195
Prepaid expenses	<u>256,256</u>	<u>161,164</u>
	3,272,310	3,529,206
Equipment (Note 5)	573,197	590,447
Other assets (Note 6)	336,021	69,442
Royalty stream rights (Note 7)	11,066,080	11,292,364
Intangible assets (Note 8)	832,638	926,694
Goodwill	<u>1,967,494</u>	<u>1,967,494</u>
	<u>\$ 18,047,740</u>	<u>\$ 18,375,647</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 14)	\$ 1,879,741	\$ 1,781,146
Loan payable (Note 10)	367,701	360,472
Deferred revenue (Note 9)	1,865,999	1,305,126
Current portion of capital lease obligation (Note 11)	<u>21,308</u>	<u>17,551</u>
	4,134,749	3,464,295
Deferred revenue (Note 9)	1,715,306	1,735,465
Loan payable (Note 10)	2,873,468	2,943,166
Future income taxes	-	200,000
Capital lease obligation (Note 11)	<u>48,370</u>	<u>45,046</u>
	<u>8,771,893</u>	<u>8,387,972</u>
SHAREHOLDERS' EQUITY		
Common stock (Note 12)	13,129,619	13,080,984
Warrants (Note 12)	720,000	720,000
Contributed surplus (Note 12)	644,447	601,545
Deficit	<u>(5,218,219)</u>	<u>(4,414,854)</u>
	<u>9,275,847</u>	<u>9,987,675</u>
	<u>\$ 18,047,740</u>	<u>\$ 18,375,647</u>

Going concern (Note 2)

Commitments and contingent liabilities (Note 19)

APPROVED ON BEHALF OF THE BOARD:

signed "Moses Znaimer"
Moses Znaimer

Director

signed "George Grant"
George Grant

Director

See accompanying notes to financial statements

ZOOMERMEDIA LIMITED

Interim Statements of Loss and Comprehensive Loss and Deficit

For the Three months ended September 30, 2009 and 2008

(Unaudited)

	<u>2009</u>	<u>2008</u> Restated (Note 18)
REVENUE		
Magazine advertising	\$ 929,559	\$ 1,067,698
Royalty	716,771	751,422
Magazine subscriptions	341,004	300,026
Website	236,511	354,882
Sundry	42,481	65,144
	<u>2,266,326</u>	<u>2,539,172</u>
EXPENSES		
Editorial	703,450	802,971
Production	682,328	813,182
Royalties	345,072	372,781
Sales	260,333	351,711
Administration	234,496	230,683
Circulation	206,578	157,186
Management fees	172,178	185,218
Website	133,562	134,486
Non-cash interest expense (Note 10)	87,531	94,010
Stock-based compensation	56,537	110,000
Professional fees	26,400	54,636
Directors' fees	9,000	8,000
Amortization - royalty stream rights	226,285	226,285
- intangible assets	94,056	87,008
- equipment	31,885	30,088
	<u>3,269,691</u>	<u>3,658,245</u>
Loss before income taxes	<u>(1,003,365)</u>	<u>(1,119,073)</u>
Income taxes - current	-	-
- future recovery	(200,000)	(280,594)
	<u>(200,000)</u>	<u>(280,594)</u>
Net loss and comprehensive loss for the period	(803,365)	(838,479)
Deficit, beginning of period	(4,414,854)	(599,859)
Deficit, end of period	<u>\$ (5,218,219)</u>	<u>\$ (1,438,338)</u>
Net loss per share (basic and diluted) (Note 13)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>181,043,634</u>	<u>170,559,817</u>

See accompanying notes to interim financial statements

ZOOMERMEDIA LIMITED

Interim Statements of Cash Flows

For the Three months ended September 30, 2009 and 2008

(Unaudited)

	<u>2009</u>	<u>2008</u> Restated (Note 18)
Operating activities		
Net loss and comprehensive loss for the period	\$ (803,365)	\$ (838,479)
Amortization - royalty stream rights	226,285	226,285
- intangible assets	94,056	87,008
- equipment	31,885	30,088
Non-cash interest expense	87,531	94,010
Stock-based compensation	56,537	110,000
Future income tax recovery	(200,000)	(280,594)
	<u>(507,071)</u>	<u>(571,682)</u>
Changes in non-cash components of working capital:		
Accounts receivable	(530,049)	(1,322,761)
Prepaid expenses	(95,092)	(110,230)
Other assets	(266,579)	53,750
Accounts payable and accrued liabilities	98,595	624,519
Deferred revenue	540,714	388,022
	<u>(252,411)</u>	<u>(366,700)</u>
	<u>(759,482)</u>	<u>(938,382)</u>
Investing activities		
Purchase of equipment	(5,867)	(39,525)
	<u>(5,867)</u>	<u>(39,525)</u>
Financing activities		
Issuance of common stock	35,000	2,222
Repayment of loans payable	(150,000)	(150,000)
Capital lease payments	(1,688)	-
	<u>(116,688)</u>	<u>(147,778)</u>
Change in cash and short term deposits	\$ (882,037)	\$ (1,125,685)
Cash and short term deposits, beginning of period	1,507,434	2,233,536
Cash and short term deposits, end of period	<u>\$ 625,397</u>	<u>\$ 1,107,851</u>
Cash and short term deposits consist of:		
Cash (bank indebtedness)	\$ 625,397	\$ (145,829)
Short term deposits	-	1,253,680
	<u>\$ 625,397</u>	<u>\$ 1,107,851</u>
Supplementary cash flow information:		
Interest paid	\$ 2,466	\$ -
Interest received	\$ -	\$ 13,732
Supplementary disclosure related to non-cash activities		
Acquisition of equipment through capital lease (Note 5)	\$ 11,948	\$ -

See accompanying notes to interim financial statements

ZOOMERMEDIA LIMITED

Interim Statements of Shareholders' Equity

For the Three months ended September 30, 2009 and 2008

(Unaudited)

	Common Stock		Warrants		Contributed Surplus		Retained Earnings	Total
	#	\$	#	\$	#	\$	(Deficit) \$	\$
Balance, June 30, 2008	170,538,803	11,693,984	30,500,000	1,080,000	17,896,017	316,000	(599,859)	12,490,125
Exercise of stock options (Note 12)	22,222	3,200	-	-	(22,222)	(978)	-	2,222
Stock options forfeited during the period (Note 12)	-	-	-	-	(11,111)	-	-	-
Stock based compensation	-	-	-	-	-	110,000	-	110,000
Net loss	-	-	-	-	-	-	(678,477)	(678,477)
Balance, September 30, 2008	170,561,025	11,697,184	30,500,000	1,080,000	17,862,684	425,022	(1,278,336)	11,923,870
Exercise of stock options	175,000	23,800	-	-	(175,000)	(6,300)	-	17,500
Stock options issued during the period	-	-	-	-	1,847,059	-	-	-
Stock options expired during the period	-	-	-	-	(800,000)	-	-	-
Stock options forfeited during the period	-	-	-	-	(3,900,000)	-	-	-
Exercise of warrants	10,000,000	1,360,000	(10,000,000)	(360,000)	-	-	-	1,000,000
Expiration of warrants	-	-	(500,000)	-	-	-	-	-
Stock based compensation	-	-	-	-	-	182,823	-	182,823
Net loss	-	-	-	-	-	-	(3,136,518)	(3,136,518)
Balance, June 30, 2009	180,736,025	13,080,984	20,000,000	720,000	14,834,743	601,545	(4,414,854)	9,987,675
Exercise of stock options (Note 12)	350,000	48,635	-	-	(350,000)	(13,635)	-	35,000
Stock options expired during the period (Note 12)	-	-	-	-	(55,000)	-	-	-
Stock based compensation	-	-	-	-	-	56,537	-	56,537
Net loss	-	-	-	-	-	-	(803,365)	(803,365)
Balance, September 30, 2009	181,086,025	13,129,619	20,000,000	720,000	14,429,743	644,447	(5,218,219)	9,275,847

See accompanying notes to interim financial statements

ZOOMERMEDIA LIMITED

Notes to Interim Financial Statements

September 30, 2009 and 2008

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The principal business activities of the Company are the publication of a magazine specifically for adults over 45, the operation of a number of Canadian websites specifically for adults over 45 providing content, commerce and community, the operation of a lifestyle, consumer show that is principally directed to adults over 45 and the exclusive provision of membership and marketing services to CARP, A New Vision of Aging for Canada ("CARP"). The magazine generates revenue from advertising, subscriptions and sundry sources. The websites generate revenue from advertising and fees related to advertising and sponsorship exclusivity agreements. The lifestyle, consumer show generates revenue from sponsorships, booth rentals and ticket sales. The provision of membership and marketing services to CARP generates revenue from royalties.

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. The preparation of these interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The balance sheet at June 30, 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for completed financial statements. Operating results for the period ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full year ended June 30, 2010. For further information, see the audited financial statements including the notes thereto for the year ended June 30, 2009.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations. The Company has incurred operating losses over the past two years and experienced an erosion of its working capital during that same time period.

Historically, management has consistently been able to raise sufficient funds to finance its operations, and has raised capital in the amount of \$1,000,000 during the year ended June 30, 2009 through the exercise of 10,000,000 warrants by the Company's majority shareholder. The majority shareholder continues to hold an additional 20,000,000 warrants. Also, the Company has announced an acquisition (Note 21) that as part of the transaction includes the exercise of the 20,000,000 warrants, as noted above, for gross proceeds of \$2 million and the issuance, through a private placement, of 176 million shares for gross proceeds of \$17.6 million. The majority of the proceeds will be used to finance the planned acquisition and related costs with the remainder of the proceeds used to fund ongoing operations of the Company. This transaction is expected to close during the fourth quarter of the current fiscal year. Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and meet its planned activities for the following twelve months. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than changes in accounting policies noted below, the interim financial statements of the Company follow the same accounting policies and methods of application as the annual audited financial statements. The interim financial statements do not contain all disclosures as required by Canadian generally accepted accounting principles for annual financial statements and accordingly should be read in conjunction with the Company's annual audited financial statements.

ZOOMERMEDIA LIMITED

Notes to Interim Financial Statements

September 30, 2009 and 2008

4. ADOPTION OF NEW ACCOUNTING POLICIES

(a) Goodwill and Intangible Assets:

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This standard is effective for the Company for interim and annual financial statements beginning on July 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this policy has not had a material impact on the financial statements of the Company.

The Company will be adopting the following changes in its accounting policies in the future:

(b) Adoption of International Financial Reporting Standards:

In January 2006, the Accounting Standards Board announced its decision to require all publicly accountable enterprises to report under International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. These changes reflect a global shift to IFRS and they are intended to facilitate capital flows and bring greater clarity and consistency to financial reporting in the global marketplace. The Company is in the process of completing the scoping phase of its conversion plan, which has a timeline for assessing resources, training, analyzing key differences and selecting accounting policies under IFRS.

(c) Business Combinations

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. This section shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this new Section.

(d) Consolidations and Non-controlling Interests

CICA Handbook Sections 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 - "Consolidated and Separate Financial Statements", for non-controlling interests. This section will be effective for fiscal periods beginning on or after January 1, 2011. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this new Section.

ZOOMERMEDIA LIMITED

Notes to Interim Financial Statements

September 30, 2009 and 2008

5. EQUIPMENT

Details of the Company's equipment as of September 30, 2009 are as follows:

	<u>September 30, 2009</u>			<u>June 30, 2009</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Office equipment	\$ 318,650	\$ (109,485)	\$ 209,165	\$ 220,174
Computer hardware	572,623	(384,596)	188,027	183,060
Computer software	224,514	(152,190)	72,324	76,130
Leasehold improvements	148,009	(44,328)	103,681	111,083
	<u>\$ 1,263,796</u>	<u>\$ (690,599)</u>	<u>\$ 573,197</u>	<u>\$ 590,447</u>

Included in computer hardware are items under capital leases with a cost of \$80,219 as at September 30 2009 (\$68,271 – June 30, 2009). Accumulated amortization for items under capital lease is \$16,834 as at September 30, 2009 (\$13,654 – June 30, 2009).

6. OTHER ASSETS

Other assets are comprised of the following:

	<u>September 30, 2009</u>	<u>June 30, 2009</u>
Prepaid transaction costs (Note 21)	\$ 336,021	\$ 69,442

7. ROYALTY STREAM RIGHTS

The Company is the holder of certain marketing rights and licensing revenues derived from the CARP name which has a term expiring December 31, 2099. The following sets out the associated asset related to those marketing rights and licensing revenues.

	<u>September 30, 2009</u>	<u>June 30, 2009</u>
Cost	\$ 12,650,072	\$ 12,650,072
Less: Accumulated amortization	<u>(1,583,992)</u>	<u>(1,357,708)</u>
	<u>\$ 11,066,080</u>	<u>\$ 11,292,364</u>

ZOOMERMEDIA LIMITED

Notes to Interim Financial Statements

September 30, 2009 and 2008

8. INTANGIBLE ASSETS

Details of the Company's intangible assets as of September 30, 2009 are as follows:

	<u>September 30, 2009</u>			<u>June 30, 2009</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Customer Relationships	\$ 773,500	\$ 270,725	\$ 502,775	\$ 541,450
Content	390,000	227,500	162,500	195,000
Domain Names	185,242	58,331	126,911	135,244
Technology	100,000	59,548	40,452	55,000
	<u>\$ 1,448,742</u>	<u>\$ 616,104</u>	<u>\$ 832,638</u>	<u>\$ 926,694</u>

9. DEFERRED REVENUE

	<u>September 30, 2009</u>	<u>June 30, 2009</u>
Magazine subscriptions revenue	\$ 1,879,662	\$ 1,795,238
Royalty revenue (i)	1,091,270	1,121,032
Show and conference revenue	588,408	93,828
Website revenue	19,170	19,370
Magazine advertising revenue	2,795	11,123
	<u>3,581,305</u>	<u>3,040,591</u>
Less: Current portion	<u>(1,865,999)</u>	<u>(1,305,126)</u>
	<u>\$ 1,715,306</u>	<u>\$ 1,735,465</u>

- (i) Pursuant to an affinity agreement entered into with MBNA Canada Bank ("MBNA") effective December 1, 2008, the Company received \$1,250,000, inclusive of GST, from MBNA as an advance against future royalties ("Advanced Amount") to be earned over the ten year period ending November 30, 2018. All royalties accrued in each contract year shall be applied against the Advanced Amount to a maximum of \$125,000, inclusive of GST. Any royalties accrued in a contract year in excess of \$125,000, inclusive of GST, will be payable to the Company. The Company is guaranteed to earn royalties equal to the Advanced Amount by the end of the ten-year contract term. If the agreement is terminated by the Company for whatever reason other than material breach by MBNA, the unearned balance would be repayable.

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Notes to Interim Financial Statements

September 30, 2009 and 2008

10. LOAN PAYABLE

The Company agreed to pay Megadak Enterprises Limited (“Megadak”) \$50,000 per month for 115 months as part of the acquisition of certain marketing rights and licensing revenues (see Note 7). The loan is non-interest bearing. The fair value of the loan was determined using a discount rate of 11% and the Company recorded a non-cash interest expense during the three months ended September 30, 2009 of \$87,531 (2009 Q1 - \$94,010). The following sets out the liability.

	<u>September 30,</u> <u>2009</u>	<u>June 30, 2009</u>
Principal	\$ 4,800,000	\$ 4,950,000
Less: Unamortized discount	(1,558,831)	(1,646,362)
	<u>3,241,169</u>	<u>3,303,638</u>
Less: Current portion	(367,701)	(360,472)
	<u>\$ 2,873,468</u>	<u>\$ 2,943,166</u>

11. CAPITAL LEASE OBLIGATIONS

The Company has assumed various capital lease obligations with respect to certain computer equipment. The lease obligations expire in 2013. The monthly lease payments consist of principal repayment and interest. The minimum payments under all agreements are:

2010	\$ 22,818
2011	30,424
2012	30,424
2013	5,014
	<u>\$ 88,679</u>
Less: imputed interest	(19,001)
	<u>69,678</u>
Less: current portion	(21,308)
	<u>\$ 48,370</u>

12. SHARE CAPITAL

(a) Authorized

Unlimited preference shares that may be issued in one or more series by the Board of Directors
Unlimited number of common shares

(b) Issued upon Exercise of Options

During the three months ended September 30, 2009, 350,000 (2009 Q1 – 22,222) stock options were exercised for net proceeds of \$35,000 (2009 Q1 – \$2,222). The attributed value of the stock options in the amount of \$13,635 (2009 Q1 – \$978) was reallocated from contributed surplus to capital stock when the options were exercised.

(c) Stock Options

The Company has a stock option plan for the benefit of employees and directors of the Company and certain key service providers to the Company. The Company is authorized to issue 34,000,000 stock options under the plan.

The options either vest on issuance or vest one-third upon issuance and one-third in each of the following two years, or one-third in each of the following three years.

ZOOMERMEDIA LIMITED

Notes to Interim Financial Statements

September 30, 2009 and 2008

As at September 30, 2009 the Company had 14,429,743 options outstanding with a weighted average remaining life of 3.4 years and a weighted average exercise price of \$0.13 per share. Of the options outstanding at September 30, 2009, 6,052,777 had vested with a weighted average exercise price of \$0.11 per share

(d) **Warrants**

As at September 30, 2009, the Company had 20,000,000 warrants outstanding, exercisable at \$0.10 per share on or before December 28, 2010 (See Note 21).

13. BASIC AND DILUTED LOSS PER SHARE

For the three months ended September 30, 2009 and 2008, the diluted net loss per share is the same as the basic net loss per share because the determination of the diluted weighted average number of shares outstanding does not include the effect of 14,429,743 (2009 Q1 – 17,862,684) outstanding stock options or 20,000,000 (2009 Q1 – 30,500,000) outstanding warrants since they are anti-dilutive. Refer to Note 21 for potentially dilutive securities that would be issued under the proposed acquisition.

14. RELATED PARTY TRANSACTIONS

- (a) The Company publishes a magazine called ZOOMER (formerly called “CARP, the magazine”) which is directed to adults 45 years of age and up and whose subscribers are primarily members of CARP. The majority shareholder of the Company is Olympus Management Limited (“OML”). The controlling shareholder of OML is the President and Chief Executive Officer and a director of the Company and is also the President and a director of CARP. During the three months ended September 30, 2009, the Company paid CARP subscriber list maintenance fees (included in circulation expenses) of \$Nil (2009 Q1 - \$28,416), royalties of \$150,000 (2009 Q1 – \$Nil) and received from CARP magazine advertising revenues of \$Nil (2009 Q1 - \$60,750), commissions (included in sundry revenue) of \$Nil (2009 Q1 - \$18,775), computer maintenance services fees (included in sundry revenue) of \$9,600 (2009 Q1 - \$9,900) and accounting services (netted against administration expenses) of \$10,500 (2009 Q1 - \$3,000). Included in accounts receivable is a receivable from CARP as at September 30, 2009 of \$157,671 (June 30, 2009 - \$118,227) and included in accounts payable is a payable to CARP of \$214,631 (June 30, 2009 - \$50,000). These balances are unsecured, non-interest bearing, with no fixed terms of repayment.
- (b) During the three months ended September 30, 2009, the Company paid management fees of \$62,500 (2009 Q1 - \$75,000) to Olympus Management Limited (“OML”), the majority shareholder of the Company, for the provision of executive management services. The Company also charged computer maintenance service fees of \$2,700 (2009 Q1 - \$Nil) to OML. Included in accounts receivable is a receivable from OML as at September 30, 2009 of \$12,778 (June 30, 2009 – \$3,602) and included in accounts payable and accrued liabilities is a payable to OML as at September 30, 2009 of \$43,750 (June 30, 2009 - \$83,989). These balances are unsecured, non-interest bearing, with no fixed terms of payment.
- (c) The Company has a loan payable to Megadak (see Note 10), a corporation under common ownership as the Company’s minority shareholders, MRHD Holdings Inc. During the three months ended September 30, 2009, the Company paid \$200,000 (2009 Q1 - \$150,000) towards this loan. The undiscounted value of the Company's loan payable to Megadak as at September 30, 2009 was \$4,800,000 (June 30, 2009 - \$4,950,000).
- (d) During the three months ended September 30, 2009, the Company paid management fees of \$109,678 (2009 Q1 - \$110,218) to Zoomer Management Limited, a wholly-owned subsidiary of OML, for the provision of creative, production, communications and financial administration services. The Company received from Zoomer Management Ltd. computer maintenance service fees of \$1,620 (2009 Q1 – \$Nil).
- (e) During the three months ended September 30, 2009, the Company paid fees for sales management services (included in sales expenses) of \$9,271 (2009 Q1 - \$7,714) and rent (included in sales expenses) of \$1,190 (2009 Q1 - \$1,190) to MZ Media Inc. (“MZMI”), a corporation controlled by the sole shareholder of OML, who is also the President and Chief Executive Officer and a director of the Company, and received computer maintenance service fees (included in sundry revenue) from MZMI of \$21,060 (2009 Q1 -

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Notes to Interim Financial Statements

September 30, 2009 and 2008

\$25,380). Included in accounts receivable is a receivable from MZMI as at September 30, 2009 of \$82,846 (June 30, 2009 - \$57,199) and included in accounts payable and accrued liabilities is a payable to MZMI of \$12,000 (June 30, 2009 – \$2,000). The balance is unsecured, non-interest bearing, with no fixed terms of payment.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. RISK MANAGEMENT POLICIES

(a) Financial Instruments

i) Fair Value Estimation

The carrying amounts of the Company's cash and short term deposits, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

The fair value of the loan payable disclosed in Note 10 was determined at the time of initial measurement by discounting future cash liabilities at current market rates of interest available to the Company.

ii) Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and short term deposits, and accounts receivable. Cash and short term deposits consist of deposits with major commercial banks. With respect to accounts receivable, the Company performs periodic credit evaluations of the financial condition of its customers and typically does not require collateral from them. Management assesses the need for allowances for the potential credit losses by considering the credit risk of specific customers, historical trends and other information.

iii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 17. It also manages liquidity risk by monitoring actual and projected cash flows, taking into account the Company's revenues and receipts and matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Company's annual operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments.

The following table reflects the contractual maturity of the Company's financial liabilities and other commitments as at September 30, 2009:

<u>Financial Liabilities</u>	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
Accounts payable and accrued liabilities	\$ 1,879,741	\$ -	\$ -	\$ -	\$ 1,879,741
Royalties payable	841,598	1,441,530	1,441,530	5,645,993	9,370,651
Loan payable (Note 10)	600,000	1,200,000	1,200,000	1,800,000	4,800,000
Operating leases for premises and equipment	124,401	255,541	11,352	-	391,294
Capital leases	30,424	57,186	1,069	-	88,679
	<u>\$ 3,476,164</u>	<u>\$ 2,954,257</u>	<u>\$ 2,653,951</u>	<u>\$ 7,445,993</u>	<u>\$ 16,530,364</u>

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iv) Foreign Currency and Interest Rate Risk

All of the Company's operations take place within Canada serving the Canadian market. There is limited exposure to foreign currency denominated assets or liabilities.

The Company's short-term and long-term liabilities have fixed interest rates, thereby minimizing the exposure to cash flow interest rate risk.

v) Major Customer

For the three months ended September 30, 2009, one customer accounted for 32.5% of total revenue (2009 Q1 – 28%). This revenue was comprised of magazine advertising revenue, website revenue and royalty revenue.

16. GOVERNMENT ASSISTANCE

The Company currently receives government assistance through three programs. First, the Company receives postal subsidies through the Publications Assistance Program administered by the Department of Canadian Heritage. During the three months ended September 30, 2009, these subsidies totalled \$157,323 (2009 Q1 - \$194,948) and are netted against production expense in the statements of loss and comprehensive loss. Second, the Company receives an annual grant administered by the Department of Canadian Heritage to support Canadian editorial content. During the three months ended September 30, 2009, this grant totalled \$Nil (2009 Q1 - \$Nil). Third, the Company receives Interactive Digital Media Tax Credits from the Province of Ontario. During the three months ended September 30, 2009, a net tax credit of \$Nil (2009 Q1 - \$Nil) was approved under this program. The Company anticipates that it will continue to receive postal subsidies through the Publications Assistance Program and an annual editorial grant from the Department of Canadian Heritage. The Company anticipates that it will qualify to receive further subsidies from the Province of Ontario through the Interactive Digital Media Tax Credit when additional qualifying work is completed.

17. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of all of the components of shareholders' equity. The Company manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the Board of Directors intends to pursue in addition to maximizing the return to shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended September 30, 2009.

The Company is not subject to externally imposed capital requirements.

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18. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

In connection with the royalty stream rights acquisition described in Note 7, while determining the value of the royalty stream rights, the Company initially netted the liability to Megadak against the royalty stream rights. Upon further review, the Company has determined that the appropriate treatment would have been to record the liability to Megadak separately. This resulted in adjustments to the financial statements as follows:

Restated Statement of Loss and Comprehensive Loss and Deficit

For the three months ended September 30, 2008

	As Previously		
	Stated	Adjustments	As Restated
Royalties	\$ 372,781	\$ -	\$ 372,781
Non-cash interest expense	-	94,010	94,010
Amortization - royalty stream rights	166,667	59,618	226,285
Total expenses	3,504,617	153,628	3,658,245
Income taxes - future recovery	(290,595)	10,001	(280,594)
Net loss and comprehensive loss for the period	\$ (674,850)	\$ (163,629)	\$ (838,479)
Retained earnings, end of period	(1,166,305)	(272,033)	(1,438,338)
Net loss per share (basic and diluted)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Restated Statement of Cash Flows

For the three months ended September 30, 2008

	As Previously		
	Stated	Adjustments	As Restated
Net loss and comprehensive loss for the period	\$ (674,850)	\$ (163,629)	\$ (838,479)
Amortization - royalty stream rights	166,667	59,618	226,285
Non-cash interest expense	-	94,010	94,010
Future income tax recovery	(290,595)	10,001	(280,594)
Accounts payable and accrued liabilities	474,519	150,000	624,519
Cash flows from operating activities	(516,700)	150,000	(366,700)
Repayment of loans payable	-	(150,000)	(150,000)

19. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) The Company is committed to pay \$720,765 to Lombard Canada Ltd. each year from the revenues related to the royalty stream rights (see Note 7) until July 31, 2022 as well as 50% of certain royalties until July 31, 2010.
- (b) Future minimum lease payments under operating leases for premises (excluding the Company's proportionate share of building operating costs) and equipment over the next four fiscal years and in aggregate are as follows:

2010	\$ 93,762
2011	125,536
2012	128,651
2013	43,345
	<u>\$ 391,294</u>

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- (c) Refer to Note 9(i)
- (d) Upon completion of the proposed acquisition (see Note 21), the Company will commit to pay \$12 million to license programming over three years by way of twelve equal monthly instalments of \$416,667 for the first twelve months; twelve equal monthly instalments of \$333,333 for the next twelve months; and twelve equal monthly instalments of \$250,000 for the final twelve months.

20. SEGMENTED INFORMATION

Management has determined that the Company operates within four business segments: the publication of a magazine specifically for adults over 45; the operation of a number of Canadian websites specifically for adults over 45 providing content, commerce and community; the operation of a lifestyle, consumer show that is principally directed to adults over 45; and the exclusive provision of membership and marketing services to CARP, A New Vision of Aging for Canada.

The magazine generates revenue from advertising, subscriptions and sundry sources. The websites generate revenue from advertising and fees related to advertising and sponsorship exclusivity agreements. The consumer show generates revenue from sponsorships, booth rentals and ticket sales. The provision of membership and marketing services to CARP generates revenue from royalties. The accounting policies for the segments are the same as those described in Note 3. Equipment additions and amortization are allocated to the various segments based on the segment's percentage of total revenues. The Royalty segment does not utilize any equipment to a significant degree.

	Three Months Ended September 30, 2009				
	<u>Magazine</u>	<u>Website</u>	<u>Shows & Conferences</u>	<u>Royalty</u>	<u>Total</u>
Revenue	\$ 1,313,044	\$ 236,511	\$ -	\$ 716,771	\$ 2,266,326
Expenses (excl. amortization)	1,597,850	366,434	-	345,072	2,309,356
Non-cash interest expense	-	-	-	87,531	87,531
<u>Amortization</u>					
Royalty Stream Rights	-	-	-	226,285	226,285
Intangible assets	-	94,056	-	-	94,056
Equipment	27,018	4,867	-	-	31,885
Segment (loss) profit	(311,824)	(228,846)	-	57,883	(482,787)
Corporate Expenses					520,578
Loss before income taxes					<u>\$ (1,003,365)</u>
Segment assets	\$ 3,372,422	\$ 3,407,587	\$ -	\$ 11,267,731	\$ 18,047,740
Additions - equipment	4,972	895	-	-	5,867

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	Three Months Ended September 30, 2008				
	<u>Magazine</u>	<u>Website</u>	<u>Shows & Conferences</u>	<u>Royalty</u>	<u>Total</u>
Revenue	\$ 1,432,868	\$ 354,882	\$ -	\$ 751,422	\$ 2,539,172
Expenses (excl. amortization)	1,676,391	484,319	-	372,781	2,533,490
Non-cash interest expense	-	-	-	94,010	94,010
<u>Amortization</u>					
Royalty Stream Rights	-	-	-	226,285	226,285
Intangible assets	-	87,008	-	-	87,008
Equipment	24,115	5,973	-	-	30,088
Segment (loss) profit	(267,638)	(222,418)	-	58,346	(431,709)
Corporate Expenses					687,364
Loss before income taxes					<u>\$ (1,119,073)</u>
Segment assets	\$ 2,997,091	\$ 3,636,485	\$ -	\$ 11,742,071	\$ 18,375,647
Additions - equipment	31,679	7,846	-	-	39,525

21. PROPOSED ACQUISITION

On June 15, 2009 the Company announced that it entered into an agreement with VisionTV: Canada's Faith Network ("VTV") to purchase:

- the assets and undertakings of the business of VTV used exclusively and predominantly in connection with VTV's ownership and operation of the Canadian specialty television programming service known as and operating under the name "VisionTV";
- all of the issued and outstanding shares in the capital of Christian Channel Inc. ("CCI") owned by VTV, with the primary assets owned by CCI being the CRTC licenses for the television programming undertakings of CHNU-TV Fraser Valley and CIIT-TV Winnipeg, also know respectively as "Joytv 10" and "Joytv 11"; and
- all of the issued and outstanding shares in the capital of Vision TV Digital Inc. ("VTVDI") owned by VTV, with the primary asset owned by VTVDI being its 47.22% ownership interest in ONE: The Body, Mind and Spirit Channel Inc., being holder of the CRTC license for an English language Category 1 specialty television service known as ONE: The Body Mind and Spirit Channel ("ONE")

The Company has agreed to purchase the assets of VTV for a purchase price of \$25 million. The purchase price will be paid at the time of closing through the payment to VTV of \$14 million in cash and \$11 million by way of a promissory note payable over 10 years at an interest rate of 7% per annum in blended monthly payments.

The Company also announced that it has entered into an agreement with Fairfax Financial Holdings Limited ("Fairfax") whereby Fairfax has agreed to subscribe for and the Company has agreed to issue to Fairfax, on a private placement basis, 44,025,901 common shares and 131,974,099 non-voting Series 1 Class A preference shares of the Company all issued at a price of \$0.10 per share.

The investment of Fairfax is conditioned on the successful acquisition of VTV and the acquisition of several media and real estate assets ("MZ Assets") owned directly or indirectly by the Company's President, Chief Executive Officer and majority shareholder, Moses Znaimer. The MZ Assets include:

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- (a) all of the issued and outstanding shares in the capital of MZMI, with the primary assets of MZMI being the CRTC licenses for the radio undertakings of CFMZ-FM, the New Classical 96.3FM and 103.1FM and CFZM, Zoomer Radio AM740;
- (b) all of the issued and outstanding shares in the capital of MZTV Production and Distribution Inc. (“MZTV P&D”), with the primary assets of MZTV P&D being a television production and distribution business;
- (c) all of the issued and outstanding shares in the capital of Zoomer Management Limited (“ZML”), with the primary assets of ZML being the management services operation providing creative, production, communications and financial administration services to a variety of companies;
- (d) all of the assets and undertakings of the business used exclusively and predominantly in connection with the operation of the annual Canadian conference known as and operating under the name “ideaCity”; and
- (e) an office building situated on 2.6 acres of commercial property in downtown Toronto, known municipally as 64 Jefferson Avenue, Toronto, Ontario.

The proposed terms for the acquisition of all of the MZ Assets include the issuance to OML and Moses Znaimer, of 4,094,970 common shares and 255,905,030 non-voting Series 2 Class A preference shares of the Company all issued at a price of \$0.10 per share and cash consideration of \$4 million. At the time of closing, OML will also exercise warrants to acquire 20 million common shares of the Company at a price of \$0.10 per share. This warrant exercise is also a condition of the Fairfax financing.

The completion of the acquisition of the assets from VTV and the acquisition of MZMI are subject to CRTC approval. The completion of all of the transactions described above is subject to shareholder approval, TSX Venture Exchange approval and to the extent any of the transactions are considered related party transactions, minority shareholder approval. Assuming all requisite approvals are secured, all of the foregoing transactions are expected to close in the fourth quarter of the current fiscal year. If the Company does not proceed with the acquisition after receiving CRTC approval, the Company will pay a termination fee of \$250,000.

To September 30, 2009, the Company has incurred legal costs of \$86,021 relating to the proposed acquisition (see Note 6).