ZOOMERMEDIA LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2010

(UNAUDITED)

(These financial statements have not been reviewed nor audited by an independent audit firm)

ZOOMERMEDIA LIMITED
Consolidated Balance Sheets
As at September 30, 2010 and June 30, 2010
(Unaudited)

	September 30, 2010	June 30, 2010
ASSETS		
Current		
Cash and restricted cash	$ 4,079,245	$ 3,469,391
Accounts receivable	11,092,465	10,116,912
Prepaid expenses	876,813	374,727
	16,048,523	13,961,030
Property and equipment (Note 4)	22,735,064	22,964,044
Future tax asset	745,000	745,000
Intangible assets (Note 5)	54,114,624	55,295,690
Goodwill	8,365,032	8,365,032
	$ 102,008,243	$ 101,330,796
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 12,332,462	$ 10,389,700
Deferred revenue (Note 6)	3,161,295	3,151,000
Current portion of long-term debt (Note 7)	1,645,583	1,621,310
Current portion of other liabilities (Note 8)	4,932,108	5,418,143
Current portion of capital lease obligation (Note 9)	46,099	40,141
	22,117,547	20,620,294
Deferred revenue (Note 6)	757,297	775,885
Deferred leasehold liability	763,515	771,207
Long-term debt (Note 7)	22,378,971	22,755,079
Other liabilities (Note 8)	6,130,314	7,052,122
Future tax liability	986,000	986,000
Capital lease obligation (Note 9)	75,133	88,395
	53,208,777	53,048,982
Non-controlling interest	496,016	364,445
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	59,317,593	59,290,393
Contributed surplus (Note 10)	1,045,741	919,586
Deficit	(12,059,884)	(12,292,610)
	48,303,450	47,917,369
	$ 102,008,243	$ 101,330,796

Commitments and contingent liabilities (Note 16)

APPROVED ON BEHALF OF THE BOARD:

Signed "Moses Znaimer" Director — Moses Znaimer

Signed "Peter Palframan" Director — Peter Palframan

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and Deficit
For the three months ended September 30, 2010 and 2009
(Unaudited)

	2010	2009
Revenue	$ 14,289,475	$ 2,086,135
Operating expenses	11,825,934	2,590,740
Stock-based compensation	133,355	56,537
Income (loss) before the following items	2,330,186	(561,142)
Depreciation	293,246	31,885
Amortization of intangibles	1,181,066	320,341
Interest expense	491,578	89,997
Income (loss) before income taxes and minority interest	364,296	(1,003,365)
Income taxes - future recovery	-	(200,000)
Minority interest	131,570	-
Net income (loss) and comprehensive income (loss) for the period	232,726	(803,365)
Deficit, beginning of the period	(12,292,610)	(4,414,854)
Deficit, end of the period	$ (12,059,884)	$ (5,218,219)
Net income (loss) per share (basic and diluted) (Note 11)	$ 0.00	$ (0.00)
Weighted average number of shares outstanding	637,105,590	170,559,817

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED
Consolidated Statements of Cash Flows
For the three months ended September 30, 2010 and 2009
(Unaudited)

	2010	2009
Operating activities		
Net income (loss) and comprehensive income (loss) for the period	$ 232,726	$ (803,365)
Depreciation	293,246	31,885
Amortization	1,181,066	320,341
Stock-based compensation	133,355	56,537
Non-cash interest expense	94,747	87,531
Minority interest	131,570	-
Future income tax recovery	-	(200,000)
	2,066,710	(507,071)
Changes in non-cash components of working capital:		
Accounts receivable	(975,553)	(530,049)
Prepaid expenses	(502,086)	(95,092)
Other assets	-	(266,579)
Accounts payable and accrued liabilities	1,942,762	98,595
Deferred revenue	(8,293)	540,714
Deferred leasehold liability	(7,692)	-
Other liabilities	(1,422,286)	-
	(973,148)	(252,411)
	1,093,562	(759,482)
Investing activities		
Purchase of equipment	(64,266)	(5,867)
	(64,266)	(5,867)
Financing activities		
Issuance of common stock	20,000	35,000
Repayment of long-term debt	(432,138)	(150,000)
Capital lease payments	(7,304)	(1,688)
	(419,442)	(116,688)
Change in cash and restricted cash	$ 609,854	$ (882,037)
Cash and restricted cash, beginning of the period	3,469,391	1,507,434
Cash and restricted cash, end of the period	$ 4,079,245	$ 625,397
Cash and restricted cash consist of:		
Cash	$ 3,489,923	$ 625,397
Restricted cash	589,322	-
	$ 4,079,245	$ 625,397
Supplementary cash flow information:		
Interest paid	$ 365,317	$ 2,466
Supplementary disclosure related to non-cash activities		
Acquisition of equipment through capital lease (Note 4)	$ -	$ 11,948

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED
Consolidated Statements of Shareholders' Equity (Deficit)
For the three months ended September 30, 2010 and 2009
(Unaudited)

	Common shares		Preference Shares		Warrants		Contributed Surplus		(Deficit)	Total
	#	$	#	$	#	$	#	$	$	$
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	350,000	48,635	-	-	-	-	(350,000)	(13,635)	-	35,000
Stock options expired during the period	-	-	-	-	-	-	(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
Stock options issued during the year	-	-	-	-	-	-	8,000,000	-	-	-
Stock options expired during the year	-	-	-	-	-	-	(366,665)	-	-	-
Stock options forfeited during the year	-	-	-	-	-	-	(200,001)	-	-	-
Exercise of warrants	20,000,000	2,720,000	-	-	(20,000,000)	(720,000)	-	-	-	2,000,000
Issuance of common shares	48,120,871	4,812,087	-	-	-	-	-	-	-	4,812,087
Issuance of series 1 class A preference shares	-	-	131,974,099	13,197,410	-	-	-	-	-	13,197,410
Issuance of series 2 class A preference shares	-	-	255,905,030	25,590,503	-	-	-	-	-	25,590,503
Stock based compensation	-	-	-	-	-	-	-	275,139	-	275,139
Costs of share issuance	-	(159,226)	-	-	-	-	-	-	-	(159,226)
Excess over carrying value of assets acquired	-	-	-	-	-	-	-	-	(2,635,951)	(2,635,951)
Net loss	-	-	-	-	-	-	-	-	(4,438,440)	(4,438,440)
Balance, June 30, 2010	249,206,896	20,502,480	387,879,129	38,787,913	-	-	21,863,077	919,586	(12,292,610)	47,917,369
Exercise of stock options	200,000	27,200	-	-	-	-	(200,000)	(7,200)	-	20,000
Stock based compensation	-	-	-	-	-	-	-	133,355	-	133,355
Net income	-	-	-	-	-	-	-	-	232,726	232,726
Balance, September 30, 2010	249,406,896	20,529,680	387,879,129	38,787,913	-	-	21,663,077	1,045,741	(12,059,884)	48,303,450

See accompanying notes to financial statements.

1. NATURE OF OPERATIONS

ZoomerMedia is a multimedia company that serves the 45plus "Zoomer" demographic through television, radio, magazine, internet, conferences and trade shows. ZoomerMedia's television properties include; Vision TV, Canada's only multi-faith specialty television service; ONE: the Body, Mind & Spirit Channel, offering programs on exercise, meditation, yoga, natural health and living a planet-friendly lifestyle; Joytv 10 in Vancouver and Joytv 11 in Winnipeg, two over the air conventional stations, available over the air and on cable in their respective markets. ZoomerMedia's radio properties include CFMZ-FM Toronto – The New Classical 96.3FM, CFMX-FM Cobourg – The New Classical 103.1FM, Canada's only commercial classical music radio stations serving the Greater Toronto Area (GTA) and eastern Ontario, and CFZM-AM 740 Toronto – The New AM740 Zoomer Radio, the last music service left on the AM dial in the GTA. ZoomerMedia also publishes Zoomer Magazine, the largest paid circulation magazine in Canada for the mature market. ZoomerMedia is Canada's leading provider of online content targeting the 45plus age group through many property's, the key one being www.50plus.com. ZoomerMedia also has a trade show division that produces the ZoomerShows, annual consumer shows directed to the 45plus age group and owns ideaCity, an annual Canadian conference also known as 'Canada's Premiere Meeting of the Minds'.

2. BUSINESS ACQUISITION

On June 28, 2010 the Company completed a number of acquisitions. The details of the transactions include the acquisition of the following assets:

from VisionTV: Canada's Faith Network/Réseau Religieux Canadien (**"VTV"**), the Company acquired (the **"Vision Assets"**):

(a) the assets and undertakings of the business of Vision TV used exclusively and predominantly in connection with Vision TV's ownership and operation of the Canadian specialty television programming service known as and operating under the name "VisionTV";

(b) 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 CHNU-TV Fraser Valley and CIIT-TV Winnipeg, also known respectively as "**Joytv 10**" and "**Joytv 11**"; and

(c) 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 the holder of the CRTC license for an English language Category 1 specialty television service known as ONE: The Body Mind and Spirit Channel ("**ONE**");

and from the Company's President, Chief Executive Officer and majority shareholder, the Company acquired (the **"MZ Assets"**):

(d) all of the issued and outstanding shares in the capital of MZ Media Inc. ("**MZMI**"), with the primary assets of MZMI being the CRTC licenses for the radio undertakings of CFMZ-FM, The New Classical 96.3 FM and CFMX-FM, The New Classical 103.1 FM and CFZM, Zoomer Radio AM740;

(e) 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;

(f) all of the issued and outstanding shares in the capital of Zoomer Management Limited ("**Zoomer2**"), with the primary assets of Zoomer2 being a management services operation providing creative, production, communications and financial administration services to a variety of companies;

(g) 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

(h) all of the issued and outstanding shares of 2184864 Ontario Inc ("**2184864**"), with the primary assets of 2184864 being an office building situated on 2.6 acres of commercial property in downtown Toronto, known municipally as 64 Jefferson Avenue, Toronto, Ontario.

The Company purchased the Vision Assets for an aggregate purchase price of $25 million. The purchase price was paid at 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. Included in the purchase price are transaction costs of $505,054 net of a closing adjustment of $296,613.

The acquisitions were accounted for using the purchase method, with the results of operations consolidated with those of the Company effective June 28, 2010. Given the complexity associated with the valuations and the lateness in the year of the closing of the transaction the purchase price allocation is preliminary pending finalization of valuations of the net identifiable assets acquired and liabilities assumed. The actual fair values of the assets and liabilities assumed will be determined as of the date of the acquisition and may differ materially from the amounts disclosed below. In addition, working capital estimates at closing will be adjusted for actual working capital acquired based on the purchase and sale agreement. The preliminary estimated values of the assets acquired and liabilities assumed in the Vision Assets acquisition are as follows:

	Vision Assets
Purchase price	$25,208,441
Current assets	$ 6,954,270
PP&E	5,827,880
Intangible assets - indefinite lives	14,608,165
Intangible assets - definite lives	4,224,875
Current liabilities	(7,132,338)
Liabilities	(1,311,857)
Non-controlling interest	(364,445)
Preliminary fair value of net assets acquired	$22,806,550
Goodwill	$ 2,401,891

Included in current liabilities are assumed liabilities related to severance of $605,322 related to a restructuring program which was put in place at the time of the acquisition. These amounts are expected to be paid over the next 14 months.

The Company acquired the MZ Assets for an aggregate purchase price of $30 million. The purchase price was paid at closing through the issuance to the President and Chief Executive Officer of the Company and Olympus Management Limited ("**OML**"), a company controlled by the President and Chief Executive Officer of the Company, of 250,000,000 non-voting Series 2 Class A Preference Shares (the **"Series 2 Shares"**), all issued at a price of $0.10 per share, and cash consideration of $5,002,255. Contemporaneously, at the time of closing, OML exercised warrants to acquire 20 million common shares of the Company at a price of $0.10 per share (an aggregate of $2 million) and OML subscribed by way of private placement for 4,094,970 common shares of the Company and 5,905,030 Series 2 Shares at a price of $0.10 per share (an aggregate of $1 million).

The MZ assets were recorded at carrying value of the amounts recorded at the date of the acquisition as the transaction was with a related party, the President and Chief Executive of the Company. As the consideration for the change in ownership interests was not supported by independent evidence, the difference between the carrying amount and the consideration of $30 million was debited to deficit. The results of operations were consolidated with those of the Company effective June 28, 2010.

	MZ Assets
Purchase price	$30,260,228
Current assets	$ 3,788,081
PP&E	16,744,390
Intangible assets - indefinite lives	14,747,485
Intangible assets - definite lives	148,112
Goodwill	5,755,248
Current liabilities	(1,725,295)
Long-term debt	(10,347,223)
Other liabilities	(1,486,522)
Carrying value of net assets acquired	$27,624,277
Excess over carrying value of assets acquired	$ 2,635,951

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than changes in accounting policies noted below, the interim consolidated financial statements of the Company follow the same accounting policies and methods of application as the annual 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 consolidated financial statements.

(a) Accounting Standards Issued and Implemented

During the year ended June 30, 2010 the Company adopted the following new Canadian Institute of Chartered Accountants ("CICA") Handbook Standards:

(i) 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. The new Sections are applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted these new standards for its fiscal year beginning 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 impact resulted in a reclassification of amounts on the balance sheet to intangibles.

(b) Accounting Standards Issued but not yet Implemented:

(i) 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 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.

(ii) Consolidations and Non-controlling Interests

In January 2009, The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests". These sections replace the former Handbook Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Handbook Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company is currently evaluating the impact of the adoption of this new Section.

(iii) Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (i) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (ii) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (iii) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (iv) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The Company is currently assessing the future impact of these amendments on its consolidated financial statements and has not yet determined the timing and method of their adoption

(c) Comparative Balances

Certain comparative balances for 2009 have been reclassified to conform with presentation adopted for 2010.

4. PROPERTY AND EQUIPMENT

Details of the Company's property and equipment as of September 30, 2010 are as follows:

	September 30, 2010			June 30, 2010
	Cost	**Accumulated Amortization**	**Net**	**Net**
Land and Buildings	$ 15,888,415	$ (92,972)	$ 15,795,443	$ 15,888,415
Broadcast equipment	2,876,796	(109,086)	2,767,710	2,822,307
Equipment and vehicles	1,896,218	(194,314)	1,701,904	1,753,706
Computer hardware	778,942	(478,858)	300,084	313,844
Leasehold improvements	2,252,300	(82,377)	2,169,923	2,185,772
	$ 23,692,671	$ (957,607)	$ 22,735,064	$ 22,964,044

Included in computer hardware are items under capital leases with a cost of $153,077 as at September 30, 2010 ($153,077 – June 30, 2010). Accumulated amortization for items under capital lease is $43,958 as at September 30, 2010 ($27,138 – June 30, 2010).

5. INTANGIBLE ASSETS

Details of the Company's intangible assets as of September 30, 2010 are as follows:

	September 30, 2010			June 30, 2010
	Cost	Accumulated Amortization	Net	Net
Broadcast licenses	$ 29,355,650	$ -	$ 29,355,650	$ 29,355,650
Program rights	15,244,841	(915,222)	14,329,619	15,244,841
Royalty stream rights	12,650,072	(2,334,629)	10,315,443	10,541,727
Computer software	282,197	(256,931)	25,266	55,564
Domain Names	185,242	(96,596)	88,646	97,908
	$ 57,718,002	$ (3,603,378)	$ 54,114,624	$ 55,295,690

6. DEFERRED REVENUE

	September 30, 2010	June 30, 2010
Magazine subscriptions revenue	$ 1,842,538	$ 1,876,121
Royalty revenue (i)	972,222	1,001,984
Canada periodical fund (ii)	385,256	577,885
Show and conference	678,273	117,965
Advertising revenue	40,303	352,930
	3,918,592	3,926,885
Less: Current portion	(3,161,295)	(3,151,000)
	$ 757,297	$ 775,885

(i) Pursuant to an affinity agreement entered into with MBNA Canada Bank ("**MBNA**"), effective December 1, 2008, the Company received $1,250,000 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. Any royalties accrued in a contract year in excess of $125,000 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.

(ii) On April 1, 2010 the department of Canadian Heritage of the Government of Canada replaced both the Canada Magazine Fund and the Periodical Assistance Program for Canadian magazines with the Canada Periodical Fund. The Company qualified for funding under the Canada Periodical Fund and received $866,827. The Company is recording a reduction of operating expense as each issue of the magazine is published. The magazine is published nine times per year.

7. LONG-TERM DEBT

	September 30, 2010	June 30, 2010
Note payable - Megadak Enterprises (i)	$ 2,873,468	$ 2,943,166
Note payable - Vision charity (ii)	10,808,228	11,000,000
Mortgage - First National Financial (iii)	6,155,114	6,197,175
Note payable - Davpart (iii)	3,944,077	3,970,881
Toronto-Dominion Bank (iv)	243,667	265,167
	24,024,554	24,376,389
Less: Current portion	(1,645,583)	(1,621,310)
	$ 22,378,971	$ 22,755,079

(i) The Company acquired certain marketing rights and royalty revenues from Megadak Enterprises ("**Megadak**"). In exchange the Company agreed to pay Megadak $50,000 per month for 115 months. The loan is unsecured and non-interest bearing. The fair value of the loan was determined using a discount rate of 11% and the Company recorded non-cash interest expense during the three months ended September 30, 2010 of $80,304 (2010 Q1- $87,531).

(ii) As part of the acquisition of the Vision Assets (Note 2) the Company agreed to pay $11 million to VTV by way of a promissory note payable, secured by a general security agreement covering the assets of the Company excluding the property located at 64 Jefferson Avenue, over 10 years at an interest rate of 7% per annum in blended monthly payments.

(iii) As part of the acquisition of the property at 64 Jefferson Avenue (Note 2(h)) the Company assumed a mortgage held by First National Financial LP, secured by a first mortgage on the land and building, with a carrying value of $15,236,276 at June 30, 2010 payable over 20 years, 6 months at an interest rate of 6.47%. The current 5 year term ends June 1, 2014. At September 30, 2010 remaining principle plus accrued interest was $6,155,114 ($6,197,175 – June 30, 2010).

The Company also assumed an unsecured promissory note payable to Davpart Inc., a former owner of the building payable over 20 years at an interest rate of 7%. The current 5 year term ends December 1, 2013, with remaining principal plus accrued interest at September 30, 2010 of $3,944,077 ($3,970,881 – June 30, 2010).

(iv) As part of the acquisition of MZMI (Note 2(d)) the Company assumed an equipment loan held by Toronto-Dominion Bank payable at $7,167 per month over 37 months plus interest at prime plus 0.50%. At September 30, 2010 remaining principle was $243,667 ($265,167 – June 30, 2010).

8. OTHER LIABILITIES

	September 30, 2010	June 30, 2010
Program rights (i)	$ 9,685,411	$ 10,920,968
CRTC license requirements (ii)	836,361	1,008,647
Other	540,650	540,650
	11,062,422	12,470,265
Less: Current portion	(4,932,108)	(5,418,143)
	$ 6,130,314	$ 7,052,122

(i) During the year ended June 30, 2010 the Company acquired rights to television programming. In exchange the Company committed to pay $12 million over three years for the acquired rights, with payments commencing July 1, 2010. For the three months ended September 30, 2010 the Company made payments of $1,250,000. The fair value of this liability has been discounted using an interest rate of 7% and the Company recorded a non-interest expense during the three months ended September 30, 2010 of $14,443.

(ii) The Company is committed to pay amounts to third parties related to the transfer of radio broadcast licenses on change of control.

9. CAPITAL LEASE OBLIGATIONS

The Company has assumed various capital lease obligations with respect to certain computer equipment expiring in 2015. The monthly lease payments consist of principal repayment and interest. The minimum payments under all agreements are:

2011	$ 44,829
2012	58,628
2013	22,086
2014	11,705
2015	6,475
	$ 143,723
Less: imputed interest	(22,491)
	121,232
Less: current portion	(46,099)
	$ 75,133

10. SHARE CAPITAL

(a) Authorized

Unlimited number of preference shares that may be issued in one or more series by the Board of Directors. Preference shares are non-voting, are convertible into common shares and have rights to dividends. As at September 30, 2010 the Company had 387,879,129 preference shares outstanding (387,879,129 – June 30, 2010).

Unlimited number of common shares. As at June 30, 2010 the Company had 249,406,896 common shares outstanding (249,206,896 – June 30, 2010).

(b) Issued upon Exercise of Options

During the three months ended September 30, 2010, 200,000 (2010 Q1 – 350,000) stock options were exercised for net proceeds of $20,000 (2010 Q1 - $35,000). The attributed value of the stock options in the amount of $7,200 (2010 Q1 - $13,635) was reallocated from contributed surplus to share capital when the options were exercised.

(c) Issued upon Financing and Acquisition

On June 28, 2010 the Company completed a private placement with Fairfax Financial Holdings Limited ("**Fairfax**") pursuant to which Fairfax purchased 44,025,901 common shares and 131,974,099 non-voting Series 1 Class A Preference Shares (the **"Series 1 Shares"**). All of the shares were issued by the Company at an issue price of $0.10 per share for an aggregate price of $17.6 million.

As part of the acquisition of the MZ Assets the Company issued 250,000,000 Series 2 Shares, at a price of $0.10 per share for an aggregate price of $30 million to OML, a company controlled by the President and Chief Executive Officer of the Company (Note 2).

(d) 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. Under the plan the Company is authorized to issue stock options up to 10% of the shares issued and outstanding at the time of the grant.

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.

As at September 30, 2010 the Company had 21,663,077 options outstanding with a weighted average remaining life of 3.0 years and a weighted average exercise price of $0.14 per share. Of the options outstanding at September 30, 2010, 9,459,487 had vested with a weighted average exercise price of $0.12 per share.

11. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The following table outlines the calculations of basic and diluted earnings (loss) per share:

	September 30, 2010	September 30, 2009
Numerator for basic and diluted earnings (loss) per share:		
Net income (loss) for the period - basic and diluted	$ 232,726	$ (803,365)
Adjusted numerator for diluted earnings (loss) per share	$ 232,726	$ (803,365)
Common shares	249,226,461	170,559,817
Preference shares	387,879,129	-
Denominator for basic earnings (loss) per share - weighted average	**637,105,590**	**170,559,817**
Effect of potential dilutive securities	3,816,760	-
Adjusted denominator for diluted earnings (loss) per share	**640,922,350**	**170,559,817**
Basic income (loss) per share	**$ 0.00**	**$ (0.00)**
Diluted income (loss) per share	**$ 0.00**	**$ (0.00)**

The dilutive effect of outstanding stock options on earnings per share is based on the application of the treasury stock method. Under this method, the proceeds for the exercise of such securities are assumed to be used to purchase common shares of the Company.

Excluded from the calculation of diluted earnings per share for the three months ended September 30, 2010 were 3,518,802 outstanding options where the exercise prices were greater than the average market price of common shares for the period.

12. 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, who is also the President and Chief Executive Officer and a director of the Company, is also the President of CARP. During the three months ended September 30, 2010, the Company paid, royalties of $200,000 (2010 Q1 – $nil) and received from CARP computer maintenance services fees of $9,900 (2010 Q1 - $9,900) and accounting services of $10,500 (2010 Q1 - $10,500) netted against operating expense. The Company and CARP have an agreement with a third party that provides magazine subscriber and membership management services including the cash collection and processing of subscriptions and memberships. Funds collected on behalf of the Company for subscriptions as well as CARP membership funds are forwarded to CARP at which point CARP forwards the funds onto the Company. Included in accounts receivable is a receivable from CARP as at September 30, 2010 of $294,084 related to subscription collections and included in accounts payable is a payable to CARP as at September 30, 2010 of $5,000 (June 30, 2010 net receivable of - $147,420). These balances are unsecured, non-interest bearing, with no fixed terms of repayment.

(b) During the three months ended September 30, 2010, the Company paid management fees of $315,000 (2010 Q1 - $62,500) to OML (see Note 2), the majority shareholder of the Company, for the provision of executive management services. The Company also charged computer maintenance service fees of $2,700 (2010 Q1 - $2,700) to OML. Included in accounts receivable is a receivable from OML as at September 30, 2010 of $23,268 and included in accounts payable and accrued liabilities is a payable to OML as at September 30, 2010 of $153,031 (June 30, 2010 net payable of - $85,384). These balances are unsecured, non-interest bearing, with no fixed terms of payment.

(c) During the three months ended September 30, 2010, the Company received royalty revenues from Lombard Canada Limited of $560,596 (Q1 2010 - $424,471) and advertising revenue from The McLennan Insurance Group Inc. of $82,444 (Q1 2010 - $83,434). Included in accounts received is a receivable from the McLennan Insurance Group Inc. as at September 30, 2010 of $28,518 (June 30, 2010 - $38,238). Both Lombard Canada Limited and The McLennan Insurance Group Inc. are subsidiaries of Fairfax Financial

Holdings Limited (“Fairfax”). At September 30, 2010, Fairfax held greater than 20% of the issued shares of the Company. A director of the Company is employed by a subsidiary of Fairfax.

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

13. FINANCIAL INSTRUMENTS

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 long-term debt was determined by discounting future cash liabilities at current market rates of interest available to the Company for certain long-term debts that do not possess market interest rates. The fair value of long-term debt that is at market interest rates approximates it carrying amount.

Cash and short term deposits are considered to be Level 1 in the fair value hierarchy.

The fair value of financial instruments included in Level 1 is determined by reference to quoted prices in active markets for identical assets and liabilities. Financial instruments in Level 2 include valuations using inputs based on observable market data, either directly or indirectly other than the quoted prices. Level 3 valuations are based on inputs that are not based on observable market data.

There were no financial instruments categorized in Level 2 or Level 3 as at September 30, 2010.

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 and accordingly credit risk is minimal. 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.

Trade and other outstanding receivables are impaired when there is evidence that collection is unlikely. The factors that are considered in determining if collection is unlikely include the aging of the balance owing, the customer’s financial condition and history of collections, whether the customer is in bankruptcy, under administration or the payments are in dispute, and general business conditions.

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 15. 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 undiscounted amounts based on contractual maturities and other commitments including interest, of the Company’s financial liabilities and other commitments as at September 30, 2010:

Financial Liabilities	1 year	2-3 years	4-5 years	Beyond 5 years	Total
Accounts payable and accrued liabilities	$ 17,264,570	$ -	$ -	$ -	$ 17,264,570
Long-term debt	2,536,791	6,138,098	6,138,098	21,630,948	36,443,935
Other liabilities	4,750,000	6,000,000	-	-	10,750,000
Operating leases	1,650,790	2,048,825	1,078,593	2,517,371	7,295,579
Capital leases	51,182	77,137	15,405	-	143,724
	$ 26,253,333	$ 14,264,060	$ 7,232,096	$ 24,148,319	$ 71,897,808

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.

14. GOVERNMENT ASSISTANCE

On April 1, 2010 the Department of Canadian Heritage replaced the Publications Assistance Program and the support for Canadian editorial content with the Canadian Periodical Fund. The company received $866,827 during the year ended June 30, 2010, $192,629 has been netted against operating expenses during the three months ended September 30, 2010, $288,942 was netted against operating expenses during the year ended June 30, 2010 and $385,256 has been deferred to recognize as a reduction of operating expenses when the related issue of the magazine is published during the fiscal year (Note 6). During the three months ended September 30, 2009 the Company received government assistance in the form of postal subsidies of $157,323 through the Publications Assistance Program administered by the Department of Canadian Heritage.

15. CAPITAL MANAGEMENT

The Company considers its capital structure as the aggregate of shareholders' equity and long-term debt less cash and short-term deposits. 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 year ended September 30, 2010.

The Company is not subject to externally imposed capital requirements.

16. COMMITMENTS AND CONTINGENT LIABILTIES

(a) The Company is committed to fixed and contingent royalty payments for certain marketing rights and royalty revenue derived from the CARP name which has a term expiring December 31, 2099. However there will be a deduction of $720,765 each year from the revenues received until July 31, 2022. The Company also earns royalty revenues earned from other affinity partners. In addition, $600,000 is payable to Megadak each year until July 1, 2017 (Note 7(i)).

(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 five fiscal years and thereafter in aggregate are as follows:

2011	$ 1,527,179
2012	1,234,019
2013	887,605
2014	657,932
2015	471,473
Thereafter	2,517,371
	$ 7,295,579

17. SEGMENTED INFORMATION

Management has determined that the Company operates within five business segments: television operations, radio operations, print, royalty and other (which include websites, tradeshows and other).

The television operations generate revenue from subscriber fees, programming and advertising. The radio operations generate revenue from advertising. Print 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 in the Company's annual audited consolidated financial statements.

	Three Months Ended September 30, 2010					
	Television	**Radio**	**Print**	**Royalty**	**Other**	**Total**
Revenue	$ 8,517,783	$ 2,514,769	$ 1,395,021	$ 619,645	$ 1,242,257	$ 14,289,475
Operating expenses	6,205,413	2,385,209	1,560,358	14,881	929,001	11,094,863
Depreciation	137,578	28,103	16,966	-	110,599	293,246
Amortization of intangibles	914,128	11,721	-	226,285	28,932	1,181,066
Non-cash interest expense	14,443	-	-	-	80,304	94,747
Interest	22,951	5,141	-	-	368,739	396,831
Minority interest	131,570	-	-	-	-	131,570
Segment income (loss)	1,091,700	84,595	(182,303)	378,479	(275,319)	1,097,152
Corporate expenses						731,071
Stock-based compensation						133,355
Income before income taxes						$ 232,726

	Three Months Ended September 30, 2009					
	Television	**Radio**	**Print**	**Royalty**	**Other**	**Total**
Revenue	$ -	$ -	$ 1,313,044	$ 536,580	$ 236,511	$ 2,086,135
Operating expenses	-	-	1,597,850	164,881	307,431	2,070,162
Depreciation	-	-	27,018	-	4,867	31,885
Amortization of intangibles	-	-	-	226,285	94,056	320,341
Non-cash interest expense	-	-	-	-	87,531	87,531
Interest	-	-	-	-	2,466	2,466
Minority interest	-	-	-	-	-	-
Segment (loss) profit	-	-	(311,824)	145,414	(259,840)	(426,250)
Corporate Expenses						520,578
Stock-based compensation						56,537
Loss before income taxes						$ (1,003,365)