



ZOOMERMEDIA LIMITED

**Management's Discussion and Analysis
For the Three months ended September 30, 2010**

November 29, 2010

The following discussion provides a review of the financial condition and operating performance of ZoomerMedia Limited (“**Company**”) for the three months ended September 30, 2010, which has been prepared in Canadian dollars in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

Certain statements made in this report are ‘forward-looking statements’ which may include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words ‘believe’, ‘anticipate’, ‘expect’, ‘estimate’, ‘project’, ‘will be’, ‘will continue’, ‘will likely result’ or similar words or phrases. Forward-looking statements involve risks and uncertainties, which may cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in filings by ZoomerMedia Limited with provincial securities commissions. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following:

- the risks inherent in magazine publishing;
- the risks inherent in the operation of Internet media properties;
- the risks inherent in the operation of television broadcast properties
- the risks inherent in the operation of radio broadcast properties
- the competition within the media industry for the baby boom generation’s business;
- the risks associated with governmental regulation of the publishing, internet, radio broadcasting and television broadcasting businesses;
- the results of legal claims made by or against the Company;
- the risk of managing the current revenue growth rate;
- the dependence of the business on the continuing operation of its computer systems; and
- the dependence on key personnel.

Given these risks, and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. ZoomerMedia Limited does not intend and does not assume any obligation to update these forward-looking statements.

OVERVIEW OF THE BUSINESS

The Company 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 conducts produces the ZoomerShows, 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'.

On June 28, 2010, the Company acquired; the assets and undertakings as detailed under “BUSINESS ACQUISITION”.

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 MZMedia 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 the 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 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).

OPERATING RESULTS

1st Quarter Results

For the three months ended September 30, 2010, the Company had revenue of \$14,469,667 and expenses of \$14,236,941 with a net income of \$232,726. For the three months ended September 30, 2009, the Company had revenue of \$2,071,254 and expenses of \$3,074,619 with a net loss after tax of \$803,365 after reflecting a recovery of future income taxes of \$200,000.

The increase in revenue for the three months ended September 30, 2010 compared to the same period in the prior year is a result of a number of factors;

1. The acquisition of the Vision Assets on June 28, 2010. The television operations of the Vision Assets generated revenue of \$8,517,783 for the three months ended September 30, 2010 for which there are no comparable revenues for the same period last year.
2. The acquisition of the MZ Assets on June 28, 2010. The radio operations of the MZ Assets generated revenue of \$2,514,769 for the three months ended September 30, 2010. The other operations within the MZ Assets generated revenue of \$773,199 for the three months ended September 30, 2010. There are no comparable revenues for the same period last year.
3. For the three months ended September 30, 2010 the print operations of the Company, which produces ZOOMER magazine generated revenue of \$1,395,021, an increase of \$81,977 compared to revenue of \$1,313,044 for the same period in the previous year. ZOOMER magazine is attracting a greater number of advertisers compared to the same period in the previous year, increasing advertising revenue. The Company also increased the subscription price of the magazine in May 2009 resulting in increased subscription revenue of \$56,879 to \$397,883.
4. The Company's websites have experienced an increase in revenue to \$455,854 compared to revenue of \$236,511 for the same period in the prior year as a result attracting a greater number of on-line advertisers.

Operating expenses were \$12,139,481 for the three months ended September 30, 2010 as compared to \$2,630,520 for the same period in the prior year. This increase of \$9,508,961 (361.5%) is a result of the inclusion of the operating costs of the Vision Assets and MZ Assets that do not appear in the same period in the prior year. Cost saving measures that were put in place during the last fiscal year has resulted in a reduction in costs of the magazine. For the three months ended September 30, 2010 printing and mailing costs of the magazine were \$450,252 compared to \$559,132 for the same period in the prior year, a reduction of \$108,880 (19.5%).

Depreciation expense was \$293,246 versus \$31,885 for the same period in the prior year. The increase in depreciation is a direct result of the inclusion of the Vision Assets and the MZ Assets that do not appear in the results of the prior year. During the three months ended September 30, 2010 property and equipment purchases totaled \$64,226 which would have a minor impact on depreciation.

Amortization of intangibles was \$1,181,066 versus \$320,341 for the same period in the prior year. The increase in amortization is a result of the Company's acquisition of rights to programming that had a discounted value of \$10,920,968 as at June 30, 2010. These programming rights are being amortized over three years.

Interest expense was \$491,578 for the three months ended September 30, 2010 as compared to \$91,873 for the same period in the prior year. This increase of \$399,705 (435.1%) is a result of the acquisition of the Vision Assets and the MZ Assets. The acquisition of the Vision Assets resulted in a note payable to the former owners of the Vision Assets of \$11 million at 7% interest paid over ten years. The acquisition of the MZ Assets included a mortgage and note payable related to the real estate acquired.

Minority interest of \$131,570 represents the portion of the income of ONE that the Company does not own. ONE was acquired on June 28, 2010 as part of the Vision Assets. There is no comparable amount in the same period in the prior year.

QUARTERLY RESULTS OF OPERATIONS

The following table sets out selected quarterly results of the Company for the previous eight quarters. The information contained herein is drawn from the interim financial statements of the Company for each of the aforementioned periods.

	2010 Sept. 30 (\$)	2010 June 30 (\$)	2010 Mar. 31 (\$)	2009 Dec. 31 (\$)	2009 Sept. 30 (\$)	2009 June 30 (\$)	2009 Mar. 31 (\$)	2008 Dec. 31 (\$) Restated
Revenue	14,469,667	3,174,867	2,071,991	2,958,448	2,071,254	2,628,301	2,042,525	2,634,429
Working Capital	(6,069,024)	(6,659,265)	(2,969,359)	(1,705,609)	(862,439)	64,911	1226,528	1,298,037
Working Capital exclusive of current portion of Deferred Revenue	(2,907,729)	(3,508,265)	(1,327,262)	(207,654)	1,003,560	1,370,037	2,741,849	2,303,797
Total Assets	102,008,243	101,312,796	16,614,650	16,728,984	18,047,740	18,468,346	19,277,217	19,593,761
Operating expenses	12,139,481	3,410,098	3,060,338	3,409,847	2,630,520	3,682,646	3,169,198	3,263,452
Net income (loss)	232,726	(2,135,001)	(1,419,303)	(884,136)	(803,365)	(1,198,488)	(1,081,728)	(696,300)
Net income (loss) per share	0.00	(0.02)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)

Quarterly results for September 30, 2010 are not consistent with the previous seven quarters as a result of the acquisition of the Vision Assets and the MZ Assets on June 28, 2010. For the previous seven quarters results are not consistent due to the cyclical nature of the publishing business of the Company. Results vary quarter over quarter as the Company's major source of revenue was advertising and subscription revenues from the publication of ZOOMER magazine. The magazine is published nine times per year which results in certain quarters receiving higher revenues from the publication of three issues and other quarters only receiving revenue from the publication of two issues. As printing and postage are a significant expense with each issue the variation in the number of issues published per quarter also affects the level of expenses.

LIQUIDITY, SOLVENCY AND CASH FLOW

As at September 30, 2010, the Company had cash and short term deposits on hand of \$4,079,245 (June 30, 2010 - \$3,469,391) and negative working capital (excluding the current portion of deferred revenue) of \$2,907,729 (June 30, 2010 - \$3,508,265). Management is of the opinion that these cash reserves should be adequate to carry out the business plan for fiscal 2011.

On June 28, 2010 the Company completed a private placement with Fairfax Financial Holdings Ltd. ("**Fairfax**") pursuant to which Fairfax purchased 44,025,901 common shares and 131,974,099 Series 1 Class A Preference Shares ("**Series 2 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. On the same date 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.

Also on the June 28, 2010 the Company acquired the MZ Assets through the issuance of 250,000,000 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 the acquisition, 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 Company recorded net income for the three months ended September 30, 2010 of \$232,726.

The Company continually reviews its business plan with a careful eye on available cash reserves to sustain operations. The operations of the Vision Assets and the MZ Assets is expected to continue to mitigate the decline of working capital that the Company has experienced in the past two fiscal years. The operations of the Vision Assets and MZ Assets will be accretive to net income and will contribute to working capital.

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 its 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. 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:

<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	\$ 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
	<u>\$ 26,253,333</u>	<u>\$ 14,264,060</u>	<u>\$ 7,232,096</u>	<u>\$ 24,148,319</u>	<u>\$ 71,897,808</u>

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.

Contractual Obligations

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 in aggregate are as follows:

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

Capital Leases

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	<u>6,475</u>
	<u>\$ 143,723</u>
Less: imputed interest	<u>(22,491)</u>
	121,232
Less: current portion	<u>(46,099)</u>
	<u><u>\$ 75,133</u></u>

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. Included in accounts receivable is a receivable from CARP as at September 30, 2010 of \$294,084 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, 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.

CONTINGENT OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet financial commitments and does not anticipate entering into any contracts of such nature, other than the addition of such operating leases for equipment and premises as may be required in the normal course of business.

CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Other than changes in the 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 consolidated financial statements.

Use of Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Items requiring significant estimates and subject to measurement uncertainty include provision for allowance for doubtful accounts receivable, the carrying values of the royalty stream rights, intangible assets, goodwill, loan payable and the valuation of warrants and stock options.

Goodwill

Goodwill has been recorded as a result of the acquisition of Fifty Plus.Net International Inc. on December 28, 2008 and the acquisition of the Vision Assets and MZ Assets on June 28, 2010. Goodwill is tested for impairment annually or more frequently if events and circumstances indicate that the asset might be impaired. Impairment is tested at the business unit level by comparing the business unit's carrying amount, including goodwill to the fair value of the business unit. The fair values of the business units are estimated using a combination of the discounted cash flow and capitalized earnings before interest, taxes, depreciation and amortization approaches. To determine the fair value using the discounted cash flow approach, the Company uses estimates that include: (i) revenue; (ii) expected growth rates; (iii) costs; and (iv) appropriate discount rates. Significant management judgement is required in forecasting future operating results. Should different conditions exist, material impairments of goodwill could occur.

At the end of the fiscal 2010 the Company determined that the performance of the websites acquired from the acquisition of Fifty Plus.Net International Inc. required an impairment of intangible assets and goodwill. The Company recorded impairment of intangible assets of \$468,420 and impairment to goodwill of \$1,759,601 during the previous fiscal year.

Adoption of New Accounting Policies

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

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. 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.

Accounting Principles Issued but not yet Implemented:

a) 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.

b) Consolidations and Non-controlling Interests

In January 2009, The Canadian Institute of Chartered Accountants (“CICA”) issued Handbook Section 1582, “Business Combinations”, 1601 “Consolidated Financial Statements”, and 1602 “Non-controlling Interests”. These sections replace the former Handbook Section 1581, “Business Combinations” and Handbook Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary. Handbook Section 1582 is effective for 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. 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.

c) 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.

d) Adoption of International Financial Reporting Standards:

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards (“IFRS”) effective in calendar year 2011. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on July 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS thus mitigating the impact of adopting IFRS at the mandatory transition date. The International Accounting Standards Board (“IASB”) will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company’s consolidated financial statements will only be measured once all IFRS applicable at the conversion date are known.

Although the Company has undertaken reviews of preliminary assessments of accounting and reporting differences, impacts on systems and processes, it has not finalized these assessments. As the Company finalizes its determination of the significant impacts on its financial reporting it intends to disclose such impacts in future Management’s Discussion and Analysis.

The Company is in the process of developing its IFRS changeover plan to address the impact of IFRS on its business and allow the Company time to develop and implement those actions necessary to ensure the adoption of IFRS standards for interim and annual financial statements on or after January 1, 2011.

The changeover plan will include a statement of the process that the Company anticipates following in executing the conversion to IFRS on a timely basis, including allocation of responsibilities, deadlines, progress review and communication of progress, both internally and externally.

The plan will incorporate six significant items being: (i) accounting policies, including choices among policies permitted under IFRS, and implementation decisions such as whether certain changes will be applied on a retrospective or a prospective basis; (ii) information technology and data systems; (iii) internal control over financial

reporting; (iv) disclosure controls and procedures, including investor relations and external communication plans; (v) financial reporting expertise, including training requirements; and (vi) business activities that may be influenced by Canadian GAAP measures such as debt covenants, capital requirements and compensation arrangements.

1. The Conversion Process

The approach to the conversion process is to focus on those areas where the greatest effort is needed, prioritizing the conversion plan according to the time expected to be required to assess and convert the Financial Statements to be compliant with IFRS.

The Company anticipates focusing first on those financial reporting processes that involve gathering different and new data where system changes are necessary and those standards that are the most complex to understand and evaluate. The Company will also focus on the financial reporting that will have the most material impact on the financial statements. The Company is also assessing how to approach those IFRS standards that are currently being revised and when the standard is expected to be applicable to the Company's 2011 reporting.

2. The Conversion Process

The approach to the conversion process is to focus on those areas where the greatest effort is needed, prioritizing the conversion plan according to the time expected to be required to assess and convert the Financial Statements to be compliant with IFRS.

The Company anticipates focusing first on those financial reporting processes that involve gathering different and new data where system changes are necessary and those standards that are the most complex to understand and evaluate. The Company will also focus on the financial reporting that will have the most material impact on the financial statements. The Company is also assessing how to approach those IFRS standards that are currently being revised and when the standard is expected to be applicable to the Company's 2011 reporting.

MATERIAL CONTRACTS

The Company has the right to implement CARP affinity programs, as well as provide control over certain other rights to license the use of the CARP logo, and to control the use of the CARP name and other intellectual property in certain media as follows:

a) Agency Agreement

An assignment of the agency agreement dated May 1, 2001, pursuant to which the Company has the right to act as the exclusive representative and agent with regard to contracts, dealings and endeavours of any type by virtue of which CARP could receive certain remuneration. The agreement has terms which continue until December 31, 2099 subject to cancellation by the Company on three years' notice. The rights of the Company under this agreement include the following rights:

- (i) to publish articles, newsletters, tabloids, newspapers, magazines and other periodicals in any form of media featuring, using or exploiting CARP's name and/or any one or more of CARP's tradenames, trademarks or other like intellectual property;
- (ii) to publish books featuring, using or exploiting CARP's name and/or any one or more of CARP's tradenames, trademarks or other like intellectual property;
- (iii) to produce and distribute radio programs, television programs, and programs in any other media using or exploiting CARP's name and/or any one or more of CARP's tradenames, trademarks or other like intellectual property;
- (iv) to produce and distribute motion pictures in film, video and any other media using or exploiting CARP's name and/or any one or more of CARP's tradenames, trademarks or other like intellectual property;
- (v) to affix any one or more of CARP's tradenames, trademarks or other like intellectual property to products, packaging, sales or promotional materials, except those soliciting membership in CARP;
- (vi) to mark products and/or their packaging as having been approved by CARP, or as having been manufactured under license from CARP, or as having been produced for members of CARP;

- (vii) to hold out products or services as having been approved by CARP or as having been designed or formulated for members of CARP, including without limitation offering products or services at prices which purportedly for members of CARP afford a discount from the regular prices thereof;
- (viii) to promote and market goods and services to the members of CARP, including, but without limiting the generality of the foregoing, newspapers; publications other than newspapers; residences; nursing care facilities; medical facilities; communication equipment and services; appliances; vehicles (rental, lease and sale); transportation facilities and services; vacations; travel accommodation and services; financial services; insurance services, policies and programs; educations services; and entertainment;
- (ix) to establish and maintain any one or more remotely accessible information or communication sites (including but without limitation any one or more sites on the worldwide web) which are targeted to members of CARP, under any contractual format or regime which is contemplated to generate revenues; and
- (x) to use CARP's membership list subject to and in compliance with applicable legislation.

The Company is entitled to utilize such rights at its own discretion and to remunerate CARP as it may determine at its own discretion. Subject to certain terms and conditions including the obligation to ensure that no published material is obscene, lewd or lascivious, or promotes or could incite hatred or intolerance of, or discrimination against, any persons because of their race, colour, religion or national origin, sex, sexual orientation, handicap or family status.

The royalty revenues earned under the agency agreement will be offset by certain deferred payment obligations to Megadak which were incurred in order to acquire the royalty rights. These deferred payment obligations may be summarized as follows:

	<u>Payment to Megadak</u>
1 Year	\$ 600,000
2 Years	600,000
3 Years	600,000
4 Years	600,000
5 years	600,000
Beyond 5 years	<u>1,200,000</u>
Total	<u>\$ 4,200,000</u>

b) Publishing Contract

An assignment of a publishing contract dated May 1, 2001, pursuant to which the Company has been given the sole and exclusive right, license and authority to publish magazines, newspapers, newsletters, tabloids and other periodicals, as well as books, pamphlets, catalogues and other publications, intended principally for members of CARP, in any form of media now known or which hereafter comes into existence (including without limitation, in print form or in any electronic form, which expression includes the worldwide web) under, featuring, using or exploiting any one or more of CARP's tradenames, trademarks and other intellectual property.

c) Lombard Canada Ltd. Royalty Agreement

An assignment of a royalty agreement dated August 1, 2007 pursuant to which Lombard has agreed to pay the Company a royalty calculated on the amount of direct premiums for insurance coverage payable until August 1, 2022 under policies of insurance insuring any members of CARP and issued or placed by Lombard or its affiliates. The royalty payment agreement permits an annual discount of \$720,765 which totals \$10,811,475 over the term of the agreement. In addition, during the first three years of the royalty agreement, Lombard received certain credits for licensing revenues associated with financial products and services which are estimated to total \$417,000 (2008 - \$127,000; 2009 - \$145,000; 2010 - \$145,000). Pursuant to this agreement, Lombard is required to spend a minimum of \$250,000 in advertising with ZOOMER magazine, increased annually by the Consumer Price Index for a period of 15 years, except that for every 10% reduction in the subscription levels for ZOOMER magazine during a contract year from a threshold level of 90% of the paid subscribers as at August 1, 2007 (approximately 190,000 paid subscribers),

such minimum advertising commitment may be reduced by 10%. Lombard may elect to cease making advertising expenditures where the ZOOMER magazine subscription level falls to less than 60% of such threshold and there is a failure to raise the ZOOMER magazine subscription level to greater than 60% of such threshold upon 60 days' notice.

LEGAL PROCEEDINGS

The Company is not engaged in any legal proceedings.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at September 30, 2010, the CEO and CFO have evaluated the effectiveness of the Corporation's disclosure controls and procedures as defined in Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings) of the Canadian Securities Administrators and has concluded that such controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and the CFO are responsible for designing internal control over financial reporting or causing it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financials reporting and the preparation of Financial Statements for external purposes in accordance with Canadian generally accepted accounting principles. Due to the small size of the Company, there are inherent weaknesses in the systems of internal control as it is not possible to segregate all the necessary functions. At the present time, the CEO and CFO have concluded that the system of internal controls is comparable to issuers of a similar size and undertaking. As the Company's current operations are limited in size and scope, there is little risk in the Company's financial reporting of inaccuracy, failure to reflect transactions, failure to fairly record transactions as may be required to present financial statements in accordance with generally accepted accounting principles, unauthorized receipts and expenditures, of the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. Weaknesses in internal controls are addressed through internal reviews during the fiscal period, quarterly and annual meetings with the audit committee. When the size of the business warrants the expansion of the number of individuals involved in the accounting functions, these weaknesses will be addressed.

DISCLOSURE OF OUTSTANDING SHARE DATA

ZoomerMedia Limited common shares trade on the TSX Venture Exchange under the symbol "ZUM". The Company is authorized to issue an unlimited number of preference shares in one or more series and an unlimited number of common shares without par value. On November 29, 2010, there were 249,906,896 common shares issued and outstanding, 387,379,129 preference shares and 21,163,077 stock options outstanding with a weighted average exercise price of \$0.14 expiring between 2011 and 2015.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.