ZOOMERMEDIA LIMITED

Management's Discussion and Analysis
For the three and six months ended December 31, 2011

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") provides a review of the financial condition and operations of ZoomerMedia Limited (**"**ZoomerMedia" or the "Company") for the three and six months ended December 31, 2011 and 2010. The information contained herein should be read in conjunction with the audited consolidated financial statements for fiscal 2011.

We prepare our financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in our consolidated interim financial statements for the period beginning July 1, 2011. Comparative periods have also been restated to be prepared on a consistent basis. In this MD&A, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS and IFRS refers to Canadian GAAP subsequent to the adoption of IFRS. While adoption of IFRS has not had an impact on our reported net cash flows, there has been an impact on the consolidated statements of financial position and statements of loss and comprehensive loss which are discussed further in this MD&A.

This document contains forward-looking statements, which are qualified with reference to, and should be read in conjunction with the Cautionary Statement on Forward-Looking Statements section of this MD&A.

Unless the context otherwise requires, all references to "ZoomerMedia", "Company", "our", "us", and "we" refers to ZoomerMedia Limited and its subsidiaries. Additional information regarding the Company is available on SEDAR at www.sedar.com. This MD&A is dated February 27, 2012. All amounts herein are presented in Canadian dollars, unless otherwise stated.

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 us with provincial securities commissions. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our 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 generally;
- the risks inherent in the operation of Internet media properties generally;
- the risks inherent in the operation of television broadcast properties generally;
- the risks inherent in the operation of radio broadcast properties generally;
- 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. We do not intend and do not assume any obligation to update these forward-looking statements.

OVERVIEW OF THE BUSINESS

We are a multimedia company that serves the 45plus “Zoomer” demographic through television, radio, magazine, internet, conferences and trade shows. Our television properties include; Vision TV, Canada’s only multi-faith specialty television service; ONE: The Body, Mind, Spirit and Love 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 conventional stations, available over the air and on cable in their respective markets. Our 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. We also publish ZOOMER Magazine, the largest paid circulation magazine in Canada for the mature market. We are Canada’s leading provider of online content targeting the 45plus age group through many property’s, the key one being www.50plus.com. We also have a trade show and conference division that conducts the “Zoomer Shows”, consumer shows directed to the Zoomer demographic and ideaCity, an annual Canadian conference also known as 'Canada's Premiere Meeting of the Minds'.

OPERATING RESULTS

For the 2nd quarter, revenue was $15,269,150 with an EBITDA[1] of $1,585,839 and operating income of $490,222 as compared to revenue of $16,919,059, EBITDA of $2,543,126 and operating income of $1,703,033 for the same period in the previous year. For the six months ended December 31, 2011 revenue was $28,015,918 with an EBITDA of $2,086,332 and operating income of $167,789 as compared to revenue of $31,208,534, EBITDA of $3,188,848 and operating income of $1,538,694 for the six months ended December 31, 2010.

After taking into account interest expense of $575,101 and taxes of $51,560 the net loss for the 2nd quarter was $136,439. For the three month period ended December 31, 2010 interest expense was $801,569 resulting in net income of $901,464. For the six months ended December 31, 2011 the net loss was $1,113,965 after taking into account interest expense of $1,124,694 and taxes of $157,060 compared to net income of $245,547 after taking into account interest expense of $1,293,147 for the six months ended December 31, 2010.

Revenue of $15,269,150 for the 2nd quarter reflects a decline of $1,649,909 (9.8%) from the same period in the prior year. For the six months ended December 31, 2011 revenue was $28,015,918, a decline of $3,192,616 (10.2%) from the six months ended December 31, 2010. This decline is primarily the result of a number of factors;

1. The television division, which operates Vision TV, ONE: The Body Mind Spirit and Love Channel, Joytv 10 in Vancouver and Joytv 11 in Winnipeg generated revenue of $9,100,519 and $17,525,110 for the three and six months ended December 31, 2011 as compared to revenue of $9,351,781 and $17,869,564 for the three and six months ended December 31, 2010, a decrease of $251,262 (2.7%) and $344,454 (1.9%) respectively. This is a result of a 10.3% decline in commercial advertising revenue across all of our television properties offset by a 1.9% increase in revenues derived from sales of mosaic religious airtime. This decline in commercial advertising is in line with an overall decline in advertising being experienced in the media industry. Subscription revenues for the six months ended December 31, 2011 have remained at the same level compared to the same period in the previous year. The number of subscribers and the revenue per subscriber for Vision TV and for ONE has remained static over the past year.
2. The radio division, which operates CFMZ-FM Toronto – The New Classical 96.3FM, CFMX-FM Cobourg – The New Classical 103.1FM and CFZM-AM 740 generated revenue of $2,557,205 and $4,611,791 for the three and six months ended December 31, 2011 as compared to revenue of $2,701,546 and 5,216,315 for the three and six months ended December 31, 2010, a decrease of $144,341 (5.3%) and 604,524 (11.5%) respectively. This decline is a result of a decline in commercial advertising revenue. As noted above with respect to the television division this decline in radio advertising is in line with an overall decline in advertising being experienced in the industry.
3. The print operations of the Company, which produces ZOOMER magazine generated revenue of $1,352,555 and $2,584,366 for the three and six months ended December 31, 2011 as compared to revenue of $1,621,454 and $3,016,475 for the three and six months ended December 31, 2010, a decrease of $268,899 (16.6%) and $432,109 (14.3%). The magazine experienced a decline in commercial advertising revenue of $331,477 and a decline in subscriber revenue of $100,632. The decline is subscriber revenue is attributable to a decline in the number of subscribers partially offset by higher revenue per subscriber.

[1] EBITDA is a Non-GAAP measure. Please refer to the section entitled “RECONCILIATION AND DEFINITION OF NON-IFRS MEASURES” of this MD&A

4. Royalty revenue for the three and six months ended December 31, 2011 was $642,385 and $1,295,805 respectively as compared to $583,326 and $1,202,971 for the three and six months ended December 31, 2010. This increase of 10.1% and 7.7% respectively for the three and six months is a result of an increase in sales of goods and services by our affinity partners.
5. Other revenue primarily consists of commercial advertising revenue derived from the operations of our websites and the Zoomer Shows. During the three and six months ended December 31, 2011, other revenue was $1,537,932 and $1,904,250 respectively compared to $1,534,542 and $2,107,210 for the three and six months ended December 31, 2010. We have experienced a decline in revenue derived from our websites of 13.2% for the six month period as a result of the overall decline in media advertising experienced in the economy. Our Zoomer Shows in Toronto and Vancouver that occurred in October and November respectively experienced a 9% increase in revenue compared to the prior year. This increase is the result of attracting more sponsors and exhibitors to the shows.
6. The Company has a commercial property located at 64 Jefferson Ave. in Toronto. During the current year we are not earning any rental revenue from the property as it is the intention to consolidate our operations into this property during the current fiscal year and the 1st and 2nd quarters of the next fiscal year. For the period ended December 31, 2010 we earned rental revenue of $1,728,066 from a tenant that occupied the property. The tenant vacated the property on February 28, 2011 at which time we started renovations on the property. The first portion of the renovations was completed in June 2011 at which time a portion of our operations moved into this space.

Operating expenses were $13,683,311 for the 2nd quarter compared to $14,375,933 in the prior year, a decline of $692,622 (4.8%). For the six months ended December 31, 2011 operating expenses were $25,929,586 compared to $28,019,686 for the same period in the previous year, a decline of $2,090,100 (7.5%).

The operating expenses of the television division for the three and six months ended December 31, 2011 were $6,403,519 and $12,616,052 compared to $7,134,528 and $15,024,402 for the comparable periods in the previous year, a decrease of $731,009 (10.2%) and $2,408,350 (16.0%). Employee costs declined $947,592 for the six month period as a result of staff reductions and the recording of a severance charge in the prior period with no equivalent in the current period. Under IFRS these severance costs are expensed in the period they were communicated to employees. Amortization of program rights declined $1,343,283 as a result of the acceleration of amortization of program rights undertaken in the prior year lowering the level of program assets to be amortized in the current period. Other operating expenses declined $117,475 as a result of efficiencies gained in the operation of the television division since its acquisition.

The operating expenses of the radio division were $2,201,699 and $4,355,895 for the three and six months ended December 31, 2011 compared to $1,893,460 and $4,278,669 for the comparable periods in the previous year, an increase of $308,239 (16.3%) and $77,226 (1.8%). Increased programing costs were offset by lower commission and other payments that are related to lower revenues.

The operating expenses of the print operations for the three and six months ended December 31, 2011 were $1,665,667 and $3,170,591 compared to $1,631,393 and $3,171,576 for the comparable periods in the previous year, an increase of $34,274 (2.1%) for the 2nd quarter and a decrease of $985 for the six months ended December 31, 2011. Increased employee costs were offset by reductions in printing costs. During the previous fiscal year the Company transitioned a portion of its sales efforts from an external sales representation company to an in house sales department resulting in an increase in employee costs.

The operating expenses of the Royalty division were $448,955 and $676,305 for the three and six months ended December 31, 2011 as compared to $1,014,881 and $1,029,762 for the comparable periods in the previous year. These operating expenses are comprised of payments made to the Canadian Association of Retired Persons (“CARP”) and are made to CARP to provide support to their membership and advocacy efforts. In return we receive royalty revenues from affinity partners granted access to CARP members. The decrease in operating expenses reflects fewer campaigns to attract new members and retain existing members in the current year compared to the prior year. Please refer to the section “MATERIAL CONTRACTS” below.

The operating expenses of the other divisions of the Company were $1,660,928 and $2,373,510 for the three and six months ended December 31, 2011 compared to $1,273,428 and $1,939,656 for the comparable periods in the prior year. The other divisions of the Company are comprised of the web division, the Zoomer Shows, a television production and distribution company and a creative services division. We have experienced increased costs related to the production of our websites as we work on a more integrated web strategy. Costs for the Zoomer Shows increased year over year as the 2nd, much larger Vancouver show took place. Our production company incurred increased costs as they took on more projects to provide content to our television properties.

Operating expenses related to corporate overhead were $1,302,543 and $2,737,233 for the three and six months ended December 31, 2011 compared to $1,428,243 and $2,575,621 for the comparable periods in the prior year, a decrease of $125,700 (8.8%) and an increase of $161,612 (6.3%) respectively. The increase for the six month period reflects increased staffing in the marketing, corporate management and IT areas.

Depreciation was $853,335 and $1,390,452 for the three and six months ended December 31, 2011 compared to $563,002 and $1,087,471 for the comparable periods in the prior year. The increase in our depreciation expense is related to the renovations we are undertaking in our new facilities at 64 Jefferson Ave. The costs incurred both for the renovations and IT equipment in the areas that have been occupied since June, 2011 are now being depreciated.

Amortization of other intangible assets for the three and six months ended December 31, 2011 was $242,282 and $528,091 compared to $277,091 and $562,683 in the comparable periods in the prior year.

Interest expense was $575,101 and $1,124,694 for the three and six months ended December 31, 2011 compared to $801,569 and $1,293,147 in the comparable periods in the prior year. Interest expense has declined as a result of the pay down of principal in our debt and other obligations.

QUARTERLY RESULTS OF OPERATIONS

The following table sets out certain unaudited quarterly results for the previous eight quarters. The information contained herein is drawn from the consolidated interim financial statements for each of the aforementioned periods. Data for periods prior to July 1, 2010 is calculated under Canadian GAAP.

	(000's of dollars – except per share amounts)							
	2012 Dec. 31	**2012 Sept. 30**	**2011 June 30**	**2011 Mar. 31**	**2010 Dec. 31**	**2010 Sept. 30**	**2010 June 30**	**2010 Mar. 31**
Revenue	$15,269	$12,747	$15,207	$13,572	$16,919	$14,289	$3,175	$2,072
Net income (loss)	(136)	(978)	(5,962)	(765)	901	(656)	(2,135)	(1,419)
Net income (loss) per share	$(0.00)	$(0.00)	$(0.01)	$0.00	$0.00	$(0.00)	$(0.02)	$(0.01)

Quarterly results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. As a result, one quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be. In particular, as one of our major sources of revenue is advertising, operating results are dependant on general advertising and retail cycles associated with consumer spending activity.

LIQUIDITY, SOLVENCY AND CASH FLOW

At December 31, 2011 we had a cash balance of $1,077,006 and had drawn on our line of credit facility with the Royal Bank of Canada to the amount of $4,420,000 for a net indebtedness to the Royal Bank of Canada of $3,342,994. During the six months ended December 31, 2011, we had cash outflow of $57,762 (December 31, 2010 – $25,033) from operating activities. Cash used for investing activities was $1,842,076 (December 31, 2010 – $206,537). During the six months ended December 31, 2011 cash generated from financing activities was $3,556,488 (December 31, 2010 – used $117,838). At December 31, 2011, excluding current deferred revenue, we had negative working capital of $8,423,487 (June 30, 2011 – negative working capital of $3,391,579). We have expended and will continue to expend cash to complete the renovations of our new office facilities, invest in new programming and increase subscribers to the magazine.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our capital structure. We also manage liquidity risk by monitoring actual and projected cash flows, taking into account our 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.

We expect cash flows from operating activities to improve as a result of investments in new programming and increasing audience levels in our television operations. However, prevailing economic conditions may affect our ability to generate revenue growth or maintain current levels of revenue and there is a risk operating cash flow may not increase. We plan to expend funds to complete the renovation of our new facilities which will result in significant investment and cash out flows during the current fiscal year.

While some of our costs are variable based on the revenue generated, a significant portion of our costs, including programming and interest costs, are fixed and some cannot be reduced quickly. Some of these factors are beyond our control and may impact the future cash flows from operating activities. We plan to use the bank credit facility to fund cash requirements over the next 12 months. However, should the cash flow from operations and the bank credit facility not be sufficient, additional liquidity through equity or debt financing may be required. The availability of the bank facility is also dependent on meeting certain financial covenants on a quarterly basis. We were not in compliance with these covenants at June 30, 2011 and December 31, 2011 and as a result the credit facility may not be available. Subsequent to December 31, 2011 we obtained a tolerance letter from the bank which requires us to remedy the breach of our covenant or restructure our financing arrangements by April 9, 2012. Discussions are taking place with the bank with respect to alternative arrangements for financing with specific focus on seeking financing through releasing equity in our property located at 64 Jefferson Avenue. We continue to have access to the credit facility. The bank has limited the bank credit facility to $5,000,000. If the bank credit facility is not available, certain shareholders of the Company have pledged to provide up to $5,000,000 in additional financial support to the Company at an interest rate of 6.5%. The pledge expires on October 26, 2012.

Our current cash flow projections reflect positive cash flow from operations for the next twelve months and then improving significantly in the subsequent two years. Over the remainder of the current fiscal year, there are major cash requirements for the capital improvements to 64 Jefferson Avenue which exceed the positive cash flow from operations and will require financing. As this will be completed over the next nine months, the liquidity risks are considered to be a temporary situation and we strongly believe significant improvements in cash flow in the subsequent two years will eliminate the need for outside financing.

The following table reflects the undiscounted amounts based on contractual maturities and other commitments including interest, of our financial liabilities and other commitments as at December 31, 2011:

Commitments and financial liabilities	**1 year**	**2-3 years**	**4-5 years**	**Beyond 5 years**	**Total**
Trade and other payables	$ 6,623,229	$ -	$ -	$ -	$ 6,623,229
Long-term debt - principal	5,322,252	3,306,389	3,868,186	14,056,034	26,552,861
Long-term debt - interest	462,273	2,838,128	2,276,331	4,750,383	10,327,115
Other liabilities	5,403,909	4,546,362	6,475	433,698	10,390,444
Program rights purchase commitments	1,896,112	199,162			2,095,274
Operating leases	1,552,538	2,953,750	1,327,054	2,090,071	7,923,413
Additions to property and equipment	370,000	-	-	-	370,000
Provisions	260,796	504,472	144,572	-	909,840
	$ 21,891,109	$ 14,348,263	$ 7,622,618	$ 21,330,186	$ 65,192,176

As part of the CRTC approval of business acquisitions involving the transfer of the ownership of television broadcast licences, we have committed to spend 10% of the value of the transaction, as determined by the CRTC, on activities that are intended to benefit the Canadian broadcasting system. As part of the decision relating to the VTV acquisition we have committed to spend $3,085,811 over the next 6 years on programming and other activities. Approximately $853,220 of this amount must be spent by August 31, 2012.

Price Risk

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

Our 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 our proportionate share of building operating costs) and equipment over the next five fiscal years and in aggregate are as follows:

2012	$	1,552,538
2013		1,973,962
2014		979,788
2015		750,691
2016		576,363
Thereafter		2,090,071
	$	7,923,413

RELATED PARTY TRANSACTIONS

ZoomerMedia is controlled by Olympus Management Limited ("OML"), which owns approximately 64% of ZoomerMedia's shares. The President and Chief Executive Officer of ZoomerMedia controls OML and is the ultimate controlling party of ZoomerMedia. Fairfax Financial Holdings Limited ("Fairfax") holds approximately 27% of ZoomerMedia's shares. The remaining 9% of ZoomerMedia's shares are widely held.

Our material related party transactions are summarized below. These transactions are in the normal course of operations.

a) Transactions with a related special purpose entity

We publish 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. Our majority shareholder, who is also the President and Chief Executive Officer and a director of the Company, is also the President of CARP. CARP is a not-for-profit organization that is focused on providing support for adults 45 years of age and up in Canada. During the six months ended December 31, 2011, we paid royalties and subsidies of $736,638 (Six months ended December 31, 2010 – $1,000,000). As we receive royalties from affinity programs and other programs that benefit from increasing membership in CARP, we benefit from supporting CARP. We received from CARP computer maintenance services fees of $19,800 (six months ended December 31, 2010 - $19,800) and accounting services fees of $21,000 (six months ended December 31, 2010 - $21,000). 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 our behalf for subscriptions as well as CARP membership funds are forwarded to CARP at which point CARP forwards the funds onto us. Included in accounts receivable is a receivable from CARP as at December 31, 2011 of $20,400 related to service fees and $416,045 related to subscription collections and a payable related to cash received by us on behalf of CARP of $124,750 (June 30, 2011 net receivable of $205,735). These balances are unsecured, non-interest bearing, with no fixed terms of repayment.

b) Transactions with the parent company

During the six months ended December 31, 2011, we paid management fees of $600,000 (six months ended December 31, 2010 - $600,000) and fees for ancillary services of $40,938 (six months ended December 31, 2010 – $36,250) to OML, the majority shareholder of the Company, for the provision of executive management and other services. We charged computer maintenance service fees of $3,240 (six months ended December 31, 2010 - $3,240) to OML. Included in accounts receivable is a receivable from OML as at December 31, 2011 of $1,080 and included in accounts payable and accrued liabilities is a payable to OML as at December 31, 2011 of $118,086 (June 30, 2011 net payable - $197,076). These balances are unsecured, non-interest bearing, with no fixed terms of payment.

c) Transactions with entities controlled by a principal shareholder

During the six months ended December 31, 2011 we received royalty revenues from Lombard Canada Limited, a wholly owned subsidiary of Fairfax Financial Holdings Limited who is a principal shareholder of the Company, of $1,121,848 (six months ended December 30, 2010 - $1,082,850) and advertising revenues of $174,571 (six months ended December 31, 2010 – $260,027)**.** We also received advertising revenues of $207,045 (six months ended December 31, 2010 - $114,418) from The McLennan Insurance

Group Inc., a wholly-owned subsidiary of Lombard Canada Limited. Included in accounts receivable is a receivable from these companies of $260,017 (June 30, 2011 - $316,347).

A director of the Company is employed by a subsidiary of Fairfax Financial Holdings Limited.

CONTINGENT OFF-BALANCE SHEET ARRANGEMENTS

We do not have off-balance sheet financial commitments and do not anticipate entering into any contracts of such nature, other than the addition of such operating leases for equipment as may be required in the normal course of business.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are described in Note 3 to the consolidated interim financial statements. The preparation of financial statements in conformity with IFRS requires us 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 intangible assets, useful lives and valuation of program rights, carrying value of goodwill, long-term debt, future income taxes and the valuation of stock options. Actual results could differ from those estimates. The policies described below are considered to be critical accounting estimates.

Program Rights

We amortize program rights over the estimated period of use as the program is aired which does not exceed the maximum of the contract exhibition period. Determining the estimated period of use of program rights involves considerable judgement. Changes in the estimated period of use of program rights could result in fluctuations to operating expense or if it is determined that program rights will not be aired and no future economic benefits are expected from the use or disposal of the program rights, an impairment charge may be recognized to write down the value of the program rights asset.

Goodwill and Broadcast Licenses

Goodwill recorded in the consolidated interim financial statements relates to the Television and Radio operating segments and our websites, which are included in the Other operating segment. Broadcast licenses relate to cash generating unit's ("CGU") in the Television and Radio operating segments.

We are required to test goodwill and broadcast licenses for impairment at least annually, or more frequently if events or circumstances indicate that the asset might be impaired. Impairment is tested by comparing the fair value of goodwill and broadcast licenses to its carrying value. Fair value is the greater of fair value less cost to sell and value in use. Value in use is determined by using a discounted cash flow approach. This approach uses discounted future cash flows for five years and a terminal value for the relevant CGU. The future cash flows are based on management's best estimates considering historical and expected financial performance, economic conditions and general outlook for the industry.

Our assumptions are affected by current market conditions which may affect expected revenues. In addition, while we have implemented cost saving initiatives, operating costs may increase more than expected. We have made certain assumptions for the discount and terminal growth rates to reflect possible variations in cash flows; however, the risk premiums expected by market participants related to uncertainties about the industry or specific intangible assets may differ or change quickly depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future valuations of goodwill and we would be required at that time to recognize impairment losses

TRANSITION TO IFRS

Our basis of presentation describing the adoption of IFRS and our accounting policies are described in Note 2 and 3 of our consolidated interim financial statements.

We prepare our financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of The Canadian Institute of Chartered Accountants ("CICA" Handbook"). In

2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years on or after January 1, 2011. Accordingly, effective July 1, 2011, we have ceased to prepare our consolidated financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook. On July 1, 2011 we started to apply IFRS as published by the International Accounting Standards Board.

Our consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 and IFRS 1. Subject to certain transition elections disclosed in Note 4 of our consolidated interim financial statements, we have consistently applied the same accounting policies in our opening IFRS balance sheet as at July 1, 2010 and throughout all periods presented, as if these policies have always been in effect.

We have also identified several accounting policies as critical to our business operations and essential for an understanding of our results of operations. The application of these and other accounting policies are described in Note 3 or our September 30, 2011 consolidated interim financial statements. The policies applied in the consolidated interim financial statements are based on IFRS issued as of February 23, 2012, the date the Board of Directors approved the consolidated interim financial statements. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending June 30, 2012 could result in restatement of the consolidated interim financial statements, including transition adjustments recognized on change over to IFRS.

MATERIAL CONTRACTS

We have the right to implement CARP affinity programs, as well as 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 we have 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 us on three years' notice. Our rights 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.

We are entitled to utilize such rights at our own discretion and to remunerate CARP as we may determine at our 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 Enterprises Inc. which were incurred in order to acquire the royalty rights. These deferred payment obligations may be summarized as follows:

		Payment to Megadak
1 year	$	600,000
2 years		600,000
3 years		600,000
4 years		600,000
5 years		600,000
Beyond 5 years		350,000
Total	**$**	**3,350,000**

b) <u>Publishing Contract</u>

An assignment of a publishing contract dated May 1, 2001, pursuant to which we have 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) <u>Lombard Canada Ltd. Royalty Agreement</u>

An assignment of a royalty agreement dated August 1, 2007 pursuant to which Lombard agreed to pay us a royalty calculated on the amount of direct premiums for insurance coverage payable until August 1, 2022 under policies of insurance insuring any member 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 totaled $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.

RECONCILIATION AND DEFINITION OF NON-IFRS MEASURES

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") is a non-GAAP measure used by management to provide additional insight into our performance and financial condition. We believe that these non-GAAP measures are an important part of the financial reporting process and are useful in communicating information that complements and supplements the consolidated interim financial statements. Accordingly, we are presenting EBITDA in this MD&A to enhance the usefulness of our MD&A. We have provided a reconciliation of EBITDA to the most directly comparable IFRS number, disclosure of the purpose of the non-GAAP measure, and how the non-IFRS measure is used in managing the business.

We report EBITDA because it is a key measure used by management to evaluate performance of our business segments and the Company. EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to service debt, and as a valuation metric. The Company believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods or non-operating factors such as historical cost.

EBITDA is not a calculation based on IFRS and should not be considered an alternative to net income (loss) in measuring the Company's performance, nor should it be used as an exclusive measure of cash flow, because it does not consider the impact of movements in working capital (including liabilities relating to program rights), capital expenditures, debt principal reductions and other sources and uses of cash which are disclosed in the consolidated statements of cash flows. Investors should carefully consider the specific items included in our computation of EBITDA.

The following is a reconciliation of EBITDA with net income (loss) for the three and six month periods ended December 31:

	Three months ended December 31,		Six months ended December 31,	
($000's)	**2011**	**2010**	**2011**	**2010**
Net income (loss) and comprehensive income (loss)	$ (136)	$ 901	$ (1,114)	$ 246
Depreciation	853	563	1,390	1,087
Amortization of other intangible assets	242	277	528	563
Interest expense	575	802	1,125	1,293
Income taxes - future expense (recovery)	10	-	59	-
Income taxes - current	41	-	98	-
EBITDA	$ 1,586	$ 2,543	$ 2,086	$ 3,189

LEGAL PROCEEDINGS

In the normal course of business, we become involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending as at December 31, 2011 cannot be predicted with certainty, these matters are not expected to have a material adverse effect on our financial position.

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 December 31, 2011, the CEO and CFO have evaluated the effectiveness of the our 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 and DISCLOSURE CONTROLS AND PROCEDURES

In accordance with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") file Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification includes a "Note to Reader" stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

As part of our corporate governance practices, internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") have been designed. There has been no formal evaluation of the operation of these controls. We have designed our ICFR to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP. Management works to mitigate the risk of a material misstatement in financial reporting; however a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Our CD&P has been designed to ensure that the information required to be disclosed by ZoomerMedia is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. It should be noted that while the Company's CEO and CFO believe that our DC&P provide reasonable assurance that they are effective, they do not expect that the DC&P and ICFR will prevent all errors or fraud. There has been no material changes in the internal controls of the Company in the six month period ended December 31, 2011.

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 February 27, 2012, there were 267,284,963 common shares issued and outstanding, 387,879,129 preference shares and 24,096,410 stock options outstanding with a weighted average exercise price of $0.16 expiring between 2012 and 2016.