

**Form 51-102F3**  
**MATERIAL CHANGE REPORT**

Item 1. Name and Address of Company:

Chalk Media Corp.  
1071 Mainland Street, 2<sup>nd</sup> Floor  
Vancouver, B.C.  
V6B 5P9

Item 2. Date of Material Change:

September 30, 2004

Item 3. Press Release:

The Company issued a press release on November 23, 2004. The press release was issued using Canada News Wire Limited for dissemination nationally in Canada to the financial press and to daily newspapers.

Item 4. Summary of Material Change:

Chalk Media Corp. ("Chalk Media") announced its unaudited consolidated financial results for the three and nine month periods ended September 30, 2004.

Item 5. Full Description of Material Change:

The Company announced the following financial results:

**Third Quarter 2004 Highlights:**

- Earned record revenues of \$1,870,896 for the three months ended September 30, 2004, up 195% from the same period in 2003
- Earned record revenues of \$3,475,949 for the nine months ended September 30, 2004, up 131% from the same period in 2003
- Earned record gross margin of \$565,874, or 30% of revenues, for the three months ended September 30, 2004
- Generated record positive cash flow from operations of \$185,223 for the three months ended September 30, 2004
- Signed new deals with Adobe, Bell Sympatico, Business Objects, Microsoft, Sony, Symantec, Targus and TELUS
- Launched the first season of *Spy Academy*, television program and interactive website for Corus Entertainment's children's channel, YTV
- Launched the second season of *Dave Chalk Connected* television program

Chalk Media earned revenues of \$1,870,896 for the three months ended September 30, 2004, compared to \$634,789 for the same period in 2003. The net loss for the three months ended September 2004, was \$239,903, or \$0.01 per share, compared to a net loss of \$502,742, or \$0.03 per share, for the same period in 2003. Net loss figures include a non-cash stock-based compensation charge of \$48,592 for the three months ended September 30, 2004, compared to nil for the same period in 2003. As well, the net loss figures include a loss on foreign exchange of \$3,939 for the three months ended September 30, 2004, compared to a loss on foreign exchange of \$2,696 for the same period in 2003. Net of the stock-based compensation charge and foreign exchange charges, the net loss for the three months ended September 30, 2004 was \$187,372 compared to \$500,046 for the same period in 2003.

Chalk Media earned revenues of \$3,475,949 for the nine months ended September 30, 2004, compared to \$1,504,041 for the same period in 2003. The net loss for the nine months ended September 2004, was \$1,898,140, or \$0.07 per share, compared to a net loss of \$1,652,539, or \$0.11 per share, for the same period in 2003. Net loss figures include a non-cash stock-based compensation charge of \$167,212 for the nine months ended September 30, 2004, compared to nil for the same period in 2003. As well, the net loss figures include a loss on foreign exchange of \$6,497 for the nine months ended September 30, 2004 compared to a gain on foreign exchange of \$225,665 for the same period in 2003. Net of the stock-based compensation charge and foreign exchange charges and gains, the net loss for the nine months ended September 30, 2004 was \$1,724,431 compared to \$1,878,204 for the same period in 2003.

During the third quarter, Chalk Media continued to sign new deals with numerous marquee accounts and began the production of our latest network television show *Spy Academy*. Given the company's sales backlog and sales pipeline, management believes that they are on track to achieve their revenue targets of \$4.5 million to \$5.5 million in 2004.

**Selected Financial Data (in \$'000's, except per share numbers):**

	<u>Three months ended</u>		<u>Nine Months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue	\$1,871	\$635	\$3,476	\$1,504
Gross margin	\$566	\$119	\$436	\$208
Operating income / (loss)	(\$233)	(\$480)	(\$1,884)	(\$1,815)
Net income / (loss)	(\$240)	(\$503)	(\$1,898)	(\$1,653)
Earnings / (loss) per share	(\$0.01)	(\$0.03)	(\$0.07)	(\$0.11)

The above financial highlights can be read in conjunction with Chalk Media's third quarter 2004 unaudited financial statements, as well as its management discussion and analysis at [www.sedar.com](http://www.sedar.com).

*Disclaimer:*

*Chalk Media's revenue targets for 2004 are based upon expected revenues from the company's existing media properties and clients. The loss of a key customer or the discontinuation of one of the company's media properties may cause the actual results to vary materially from the revenue targets stated above.*

*Chalk Media's financial statements for the three and nine months ended September 30, 2004, and related management discussion and analysis, can be read at [www.sedar.com](http://www.sedar.com).*

*While the information contained herein is believed to be accurate and reliable, Chalk Media and its subsidiaries and / or affiliates, and their respective directors, officers, employees and shareholders make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information, and Chalk Media expressly disclaims any and all liability that may be based on such information, or errors or omissions thereof.*

*The forward-looking statements contained herein (such as statements relating to the future anticipated direction of the media and high technology industries, plans for future expansion, revenue targets, various business development activities, planned capital expenditures, future funding sources, anticipated sales growth and potential contracts) involve important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may vary materially from those expressed in any forward-looking statements made by or on behalf of Chalk Media.*

*There can be no assurance that Chalk Media will achieve the results projected or implied by the forward-looking statements included herein. These risks and uncertainties include, but are not limited to, those relating to Chalk Media's ability to raise sufficient financing to fund its business plan, development and expansion activities, dependence on existing management, financial activities, domestic and global economic conditions, changes in federal or provincial income tax laws, and market competition factors.*

Item 6. Reliance of Subsection 7.1(2) or (3) of National Instrument 51-102: N/A

Item 7. Omitted Information: State whether any information has been omitted on the basis that it is confidential information.

N/A

Item 8. Executive Officer: The following executive officer of the Company is knowledgeable about the material change and this Report.

Kris Sutherland  
Vice President and Secretary  
Chalk Media Corp.  
1071 Mainland Street, 2<sup>nd</sup> Floor  
Vancouver, B.C.  
V6B 5P9

604-684-9399

Item 9. Date of Report:

November 24, 2004