QUIZAM MEDIA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

May 31, 2016 and 2015

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Quizam Media Corporation

We have audited the accompanying consolidated financial statements of Quizam Media Corporation which comprise the consolidated statements of financial position as at May 31, 2016 and 2015 and the consolidated statements of operations and comprehensive loss, cash flows and changes in equity (deficiency) for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quizam Media Corporation as at May 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Quizam Media Corporation to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
September 28, 2016

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	As at May 31, 2016 $	As at May 31, 2015 $
ASSETS		
Current		
Cash and cash equivalents	29,328	–
Accounts receivable	19,151	12,287
Prepaid expenses and deposits	16,538	31,912
Sales taxes recoverable	12,654	19,580
	77,671	63,779
Property and equipment (Note 3)	44,669	47,559
Investment in film production (Note 4)	–	55,000
Film distribution rights (Note 4)	29,264	–
	151,604	166,338
LIABILITIES		
Current		
Cheques written in excess of funds on deposit	–	11,367
Accounts payable and accrued liabilities	136,704	126,022
Deferred revenue	12,890	24,809
Due to related parties (Note 12)	-	177,904
Promissory notes payable (Note 6)	123,442	131,817
	273,036	471,919
EQUITY (DEFICIENCY)		
Share capital (Note 7)	15,337,285	13,600,229
Contributed surplus	2,173,682	980,446
Share subscriptions received (Note 7)	15,000	23,806
Deficit	(17,647,399)	(14,910,062)
	(121,432)	(305,581)
	151,604	166,338

Nature and continuance of operations (Note 1)
Commitment (Note 16)
Subsequent events (Note 18)

APPROVED ON BEHALF OF THE BOARD ON SEPTEMBER 27, 2016:

/s/ "Russ Rossi"
Russ Rossi, Director

/s/ "Jim Rosevear"
Jim Rosevear, Director

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	Year Ending May 31, 2016	Year Ending May 31, 2015
	$	$
REVENUES		
Training services and software sales	522,833	480,650
On-Track TV sales	23,247	68,891
Film distribution licenses (Note 4)	3,819	-
	549,899	549,541
EXPENSES		
Accounting and legal	296,940	228,320
Automobile	23,324	21,841
Bank charges and interest	4,120	7,728
Depreciation	14,216	12,779
Interest on related party debt (Note 6)	21,190	8,968
Investor and finance development	187,334	95,262
Management fees	154,641	144,000
Office and miscellaneous	86,412	61,618
On-Track TV development costs (Note 11)	293,758	181,957
Regulatory fees	12,335	19,677
Rent	154,059	158,884
Software development costs (Note 11)	36,692	44,478
Share-based compensation (Note 8)	124,036	42,211
Subcontractors	101,337	61,511
Telephone and internet	19,861	57,021
Travel and business development	250,587	206,651
Wages and benefits (Note 12)	226,932	185,174
	2,007,774	1,538,080
LOSS BEFORE OTHER ITEMS	(1,457,875)	(988,539)
OTHER ITEMS		
Accretion of promissory note and amounts receivable from Aviron Group, LLC. (Note 5)	30,261	–
Amortization and impairment write-down of film distribution rights (Note 4)	(80,736)	–
Interest income	1,291	440
Impairment of investment in Aviron Group, LLC. (Note 5)	(354,832)	–
Impairment of promissory note and receivable from Aviron Group, LLC. (Note 5)	(875,446)	–
	(1,279,462)	440
NET LOSS AND COMPREHENSIVE LOSS	(2,737,337)	(988,099)
LOSS PER SHARE BASIC AND DILUTED	(0.05)	(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	57,290,349	30,864,430

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	Year Ending May 31, 2016 $	Year Ending May 31, 2015 $
OPERATING ACTIVITIES		
Net loss	(2,737,337)	(988,099)
Items not affecting cash:		
Accretion of promissory note and amounts receivable from Aviron Group, LLC.	(30,261)	–
Depreciation	14,216	12,779
Foreign currency translation	16,903	–
Amortization and impairment of film distribution rights (Note 4)	80,736	–
Impairment of investment in Aviron Group, LLC.	354,832	–
Impairment of promissory note and receivable from Aviron Group, LLC.	875,445	–
Share-based compensation	124,036	42,211
	(1,301,430)	(933,109)
Changes in non-cash working capital items:		
Accounts receivable	(6,864)	9,016
Prepaid expenses and deposits	15,374	(13,821)
Taxes recoverable	6,927	(4,626)
Accounts payable and accrued liabilities	7,030	(23,205)
Due to related parties	(144,519)	101,008
Deferred revenue	(11,919)	(11,421)
CASH USED IN OPERATING ACTIVITIES	(1,435,401)	(876,158)
FINANCING ACTIVITIES		
Net changes of promissory notes payable	(8,376)	108,724
Issuance of common shares, net	1,532,147	821,523
Subscriptions received	15,000	23,806
CASH PROVIDED BY FINANCING ACTIVITIES	1,538,771	954,053
INVESTING ACTIVITIES		
Acquisition of equipment	(11,325)	(26,506)
Investment in film production	(51,350)	(55,000)
Payments received on loans receivable	–	3,425
CASH USED IN INVESTING ACTIVITIES	(62,675)	(78,081)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,695	(186)
CASH AND CASH EQUIVALENTS (CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT) – BEGINNING OF THE YEAR	(11,367)	(11,181)
CASH AND CASH EQUIVALENTS (CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT) – END OF THE YEAR	29,328	(11,367)
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Common shares issued for finders' fees	14,700	19,430
Common shares issued to acquire investment in Aviron Group, LLC.	100,000	–
Warrants issued to acquire investment in Aviron Group, LLC.	1,150,266	–

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

FOR THE YEARS ENDED MAY 31, 2016 AND 2015

(Expressed in Canadian dollars)

	Number of Common Shares	Amount $	Contributed Surplus $	Share Subscriptions Received $	Deficit $	Total $
As at May 31, 2014	23,280,662	12,754,706	962,235	–	(13,921,963)	(205,022)
Common shares issued for cash	17,757,142	627,000	–	–	–	627,000
Issued as finder's fees	630,642	19,430	–	–	–	19,430
Share issuance costs	–	(32,507)	–	–	–	(32,507)
Warrants exercised	1,284,000	177,600	–	–	–	177,600
Stock options exercised	200,000	54,000	(24,000)	–	–	30,000
Subscriptions received	–	–	–	23,806	–	23,806
Share-based compensation	–	–	42,211	–	–	42,211
Net loss for the year	–	–	–	–	(988,099)	(988,099)
As at May 31, 2015	**43,152,446**	**13,600,229**	**980,446**	**23,806**	**(14,910,062)**	**(305,581)**
Common shares issued for cash (Note 7)	16,700,000	555,500	–	(23,806)	–	531,694
Issued as finder's fees	436,381	14,700	–	–	–	14,700
Share issuance costs	–	(21,234)	–	–	–	(21,234)
Subscriptions received	–	–	–	15,000	-	15,000
Warrants exercised	7,508,436	827,024	–	–	–	827,024
Stock options exercised	2,000,000	261,066	(81,066)	–	–	180,000
Common shares issued to acquire investment in Aviron Group LLC (Note 5)	1,000,000	100,000	–	–	–	100,000
Warrants issued to acquire investment in Aviron Group LLC (Note 5)	–	–	1,150,266	–	–	1,150,266
Share-based compensation	–	–	124,036	–	–	124,036
Net loss for the year	–	–	–	–	(2,737,337)	(2,737,337)
As at May 31, 2016	**70,797,263**	**15,337,285**	**2,173,682**	**15,000**	**(17,647,399)**	**(121,432)**

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

1. CORPORATE INFORMATION, NATURE AND CONTINUANCE OF OPERATIONS

Quizam Media Corporation (the "Company") was incorporated on September 15, 2000 under the provisions of the Company Act of British Columbia and is listed on the TSX Venture Exchange ("TSX-V"). The Company's principal business activities consist of providing computer training and consulting services, marketing of a computer based educational program and film production. The address of the Company's corporate office and its principal place of business is 4th Floor, 885 West Georgia Street, Vancouver, BC, V6C 3E8.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has a history of significant losses, sizeable accumulated deficits and working capital deficits. These factors form a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on completing equity financings, obtaining support from related parties or generating consistent profitable operations in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement, presentation, estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Significant areas requiring the use of management estimates relate to calculating an allowance for doubtful accounts, the measurement of share-based payments, assessing the discount rate used to discount the long-term promissory note and amounts receivable, assessing the recoverable amount for loans, notes and other amounts receivable, assessing the recoverable amount for investments in film production, estimation of the fair value of share investment in Aviron Group, LLC. (Note 5) and expected lives of long-lived assets. Actual results could differ from those estimates. Significant judgements are applied by management to determine whether sales have met the Company's revenue recognition criteria, and to assess the probability of realizing deferring income tax assets based on the likelihood of generating taxable income in the future. Different judgement could yield different results. These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 2 (p). All amounts are expressed in Canadian dollars unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

The consolidated financial statements include the accounts of the Company, On-Track Computer Training Ltd. ("On-Track") and Quizam Entertainment LLC. Quizam Entertainment LLC was incorporated in Delaware in November 2015 and is 100% owned by the Company. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

	Principal activity	Place of incorporation and operation	Ownership interest May 31, 2016	Ownership interest May 31, 2015
On-Track	Computer training and consulting services	Canada	100%	100%
Quizam Entertainment LLC.	Inactive	United States	100%	N/A

d) Foreign currency translation

Foreign currency denominated assets and liabilities of operations are translated into Canadian dollars at exchange rates prevailing at the consolidated statement of financial position date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses are converted at the average exchange rate for the reporting period. Gains or losses on translation are included in operations. The Company's functional and presentation currency is the Canadian dollar.

e) Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

f) Property and equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Computer hardware	3 years
Furniture and fixtures	5 years
Library	5 years

Leasehold improvements are depreciated using the straight-line method over the estimated term of the related lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Investment in film production and film distribution rights

Investment in film production represents the unamortized cost of film projects which are in development and in progress. Such costs are capitalized and upon commencement of production are reclassified to production costs in the consolidated statement of financial position. Projects in development are written off at the earlier of the date they are determined not to be recoverable or when abandoned, or three years from the date of initial investment.

Costs of producing film programs are capitalized and amortized using the individual film forecast method, whereby capitalized costs are amortized, and ultimate participation costs are accrued, in the proportion that current revenue bears to management's estimate of ultimate revenue expected to be recognized from the exploitation, exhibition or licensing of the film. For film programs produced by the Company, capitalized costs include all direct production, an allocation of directly attributable overhead and financing costs incurred during production that are expected to benefit future periods. Financing costs are capitalized to the costs of a film or television program until the film or television program is complete.

h) Long-lived assets and impairment

The Company evaluates, on an ongoing basis, the carrying value of property and equipment and film distribution rights, for indications of impairment at each statement of financial position date or if an indication of impairment occurs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

i) Loans receivable and notes payable

Loans receivable and notes payable are carried at amortized cost using the effective interest method. Any finance charges are deferred and recognized over the life of the loan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred.

Share issue costs are charged to share capital when the related shares are issued. Deferred share issuance costs related to financing transactions that are not completed are charged to expenses.

k) Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which deductions and tax losses can be utilized.

l) Revenue recognition

i. Training revenue

Training revenues are recorded when a customer attends a course, this is the date at which the stage of completion and costs of the transaction can be reliably measured, the amount of revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Company.

ii. On-Track TV revenue

On-Track TV revenues are those whereby customers sign up and pay for access to a video library. The revenues are recorded when access to the On-Track TV website has been granted and collection is probable.

iii. Software revenue

The Company records revenue from the sale of software when the customers download the software from the Company's website and collection is reasonably assured which is generally when direct payment is received.

iv. License fee revenue

License fees are recorded in the accounts when all conditions have been met under the license agreement, the licensee is satisfied with the operations of the software, and collection is probable, which is generally when payment is received.

v. Movie distribution license revenue

Movie distribution license revenues are recorded in the accounts when all conditions have been met under the license agreement, and collection is probable, which is generally when payment is received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Share-based payments

The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

n) Earnings(loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted income (loss) per share.

The existence of warrants and options affects the calculation of earnings (loss) per share on a fully diluted basis. As the effect of this dilution is to increase the reported earnings per share and reduce the reported loss per share and diluted per share amounts excludes all potential common shares if their effect is anti-dilutive.

o) Development costs

Development costs are expensed as incurred, except in cases where development costs meet certain identifiable criteria for deferral. The Company has not capitalized any product development costs during the period.

p) Financial instruments

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every reporting date. All financial assets are recognized when, and only when, the Company becomes a party to the contractual provisions of the instrument. Purchases of financial assets, in the normal course of business, are recognized on trade date.

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

Financial instruments comprise of cash and cash equivalents, cheques written in excess of funds on deposit, accounts receivable, amounts receivable, promissory note receivable, accounts payable, due to related parties and promissory notes payable. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments. Transaction costs incurred in connection with the purchase of financial assets are recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

At initial recognition management has classified financial assets and liabilities as follows:

i. Financial assets

The Company has classified its cash and cash equivalents as FVTRL. The Company has classified its investment in Aviron Group LLC as available for sale. The Company has classified accounts receivable, amounts receivable and promissory note receivable as loans and receivables. The Company has not classified any financial assets held to maturity.

Subsequent to initial recognition, financial assets are measured in accordance with the following:

(i) Financial assets classified as fair value through profit or loss are measured at fair value. All gains and losses resulting from changes in their fair value are included in net income (loss) in the period in which they arise.

(ii) Held-to-maturity investments and loans and receivables are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net income (loss), using the effective interest method less any impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(iii) Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income (loss) until the asset is realized, at which time they will be recorded in net income (loss). Other than temporary impairments on available-for-sale financial assets are recorded in net income (loss).

ii. Financial liabilities

The Company has recognized its accounts payable, due to related parties, deferred revenue and promissory notes payable as other financial liabilities. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Subsequent to initial recognition, financial liabilities are measured in accordance with the following:

(i) Financial liabilities classified as other financial liabilities are initially recognized at fair value less transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

(ii) Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in net income (loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Company about one or more of the following loss events:

- significant financial difficulty of the debtor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognized as follows:

(i) Financial assets carried at amortized cost

If there is objective evidence that loans and receivables carried are impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale investments

When a decline in the fair value of an available-for-sale investments has been recognized in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognized in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

Reversals in respect of investment in equity instruments classified as available-for-sale financial assets and stated at fair value are not recognized in the profit or loss. The subsequent increase in fair value is recognized in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversal of impairment losses in such circumstances are recognized in profit or loss.

q) New accounting standards not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for the Company's accounting periods beginning after June 1, 2016, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The standard is effective for annual periods beginning on or after January 1, 2016.

Annual Improvements to IFRSs 2012-2014 Cycle
In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 cycle, effective for annual periods beginning on or after July 1, 2016. These annual improvements made necessary but non-urgent amendments to existing IFRSs.

IAS 7 Statement of Cash Flows
The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The standard is effective for annual periods beginning on or after January 1, 2017.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) New accounting standards not yet adopted (continued)

IFRS 9 Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 7 Financial Instruments: Disclosure

IFRS 7 was amended to required additional disclosures on transition from IAS 39 to IFRS 9. The amendment is effective for annual periods beginning on or after January 1, 2018.

IFRS 2 Share-Based Payment

In June 2016 the Board issued the final amendments to IFRS 2 *Share-Based Payment* as follows:

(a) Effects that vesting conditions have on the measurement of a cash-settled share-based payment;
(b) Accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled;
(c) Classification of share-based payment transactions with net settlement features.

The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

Management is currently evaluating any impact that the above standards may have on the Company's consolidated financial statements and this assessment has not yet been finished.

(Expressed in Canadian dollars)

3. PROPERTY AND EQUIPMENT

Cost	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Library	Total
As at May 31, 2014	$ 357,581	$ 76,560	$ 24,617	$ 4,280	$ 463,038
Additions	26,031	–	–	475	26,506
As at May 31, 2015	$ 383,612	$ 76,560	$ 24,617	$ 4,755	$ 489,544
Additions	8,810	2,515	–	–	11,325
As at May 31, 2016	$ 392,422	$ 79,075	$ 24,617	$ 4,755	$ 500,869
Accumulated Depreciation					
As at May 31, 2014	$ 350,175	$ 73,291	$ 1,799	$ 3,941	$ 429,206
Additions	7,044	1,465	3,931	339	12,779
As at May 31, 2015	$ 357,219	$ 74,756	$ 5,730	$ 4,280	$ 441,985
Depreciation	8,838	1,464	3,692	221	14,215
As at May 31, 2016	$ 366,057	$ 76,220	$ 9,422	$ 4,501	$ 456,200
Carrying Amounts					
Balance, May 31, 2015	$ 26,393	$ 1,804	$ 18,887	$ 475	$47,559
Balance, May 31, 2016	$ 26,365	$ 2,855	$ 15,195	$ 254	$44,669

4. INVESTMENT IN FILM PRODUCTION AND FILM DISTRIBUTION RIGHTS

During the year ended May 31, 2015, the Company invested $55,000 in a film production project. These costs were capitalized as an intangible asset under development at May 31, 2015. No depreciation was recorded in 2015 because the production was still in progress and had not been completed yet. The Company committed to pay another $55,000 upon completion of the project.

The Company then paid another $51,350 upon successful completion of the project in May 2016. The remaining amount of $3,650 was paid in June 2016. The Company reclassified the investment in film production to film distribution rights upon completion of the film production.

The total film cost of $110,000 as at May 31, 2016 was written-down to its estimated recoverable amount based on the forecasted future revenue from film distribution rights of $29,264 on May 31, 2016. The total amount expensed for amortization and loss on write-down of movie distribution rights was $80,736 for the year ended May 31, 2016.

5. INVESTMENT IN AVIRON GROUP, LLC, PROMISSORY NOTE AND AMOUNTS RECEIVABLE FROM AVIRON GROUP, LLC.

On November 5, 2015, the Company completed an agreement for an investment in William Sadleir's new motion picture distribution company, Aviron Group, LLC. ("Aviron"), headquartered in Beverly Hills, California. The Company issued 1,000,000 common shares and 12,250,000 share purchase warrants to acquire the Aviron investment which consisted of a 10% equity interest, a US$1,000,000 promissory note and a further US$250,000 amount due under an earnings participation agreement. The purchase price consideration issued by the Company for the investment was 1,000,000 common shares with a fair value of $100,000 and 12,250,000 share purchase warrants, exercisable at $0.08 per share for a period of 5 years, with a fair value of $1,150,266. The fair value of the warrants was determined using the Black-Scholes model with the following assumptions: Risk-free rate: 0.91%, Expected life: 5 years, Volatility: 162%, Expected forfeitures: 0%, Dividend yield: 0%.

The Company's 10% equity interest in Aviron represents an ownership of 1,000 Class A units of Aviron which is a non-dilutable interest under the terms of the agreement. The US$1,000,000 promissory note receivable from Aviron is non-interest bearing, unsecured and due on October 30, 2020. The US$250,000 amounts receivable is non-interest bearing and is due in 20 quarterly payments of US$12,500 each (US$25,000 received at May 31, 2016), beginning 90 days following closing.

In recording the US$1,000,000 promissory note receivable the Company recognized a discount of $672,124 (US$502,823) which will be accreted over the life of the note, the net amount reflecting an estimated amortized value. During the year ended May 31, 2016, the Company recognized accretion expense of $10,915 (US$8,242) on the promissory note receivable. In recording the US$250,000 amounts receivable the Company recognized a discount of $103,318 (US$77,293) on amounts receivable pursuant to the quarterly payments, which will be accreted over the life of the payments, reflecting estimated amortized value. During the year ended May 31, 2016, the Company recognized accretion expense of $19,346 (US$14,643) on the amounts receivable.

At May 31, 2016, the fair value of the Company's investment in Aviron was estimated at $Nil based on Aviron's financial condition. As a result, at May 31, 2016 the Company recorded an impairment write-down of the Aviron 10% equity interest in the amount of $354,832 in expenses as the impairment was determined to be other then temporary. The Company also determined that the US$1,000,000 promissory note receivable and the US$250,000 amounts receivable were impaired as at May 31, 2016 due to significant uncertainly in collectability of these amounts from Aviron. The promissory note and the amounts receivable were written-down to their estimated recoverable amount of $Nil at May 31, 2016. This resulted in a loss of write-down of the promissory note and amounts receivable from Aviron of $875,446.

6. PROMISSORY NOTES PAYABLE

At May 31, 2016, the promissory notes payable balance is $123,442 (2015 - $131,817) including interest and finance fees. The promissory notes are unsecured, due on demand, bear interest at 15% and are payable to a significant shareholder of the Company.

7. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common voting shares without par value. Disclosures on any common shares issued are also provided in the consolidated statements of changes in equity (deficiency).

7. SHARE CAPITAL (continued)

Transactions for the year ended May 31, 2016:

On July 10, 2015, the Company completed a non-brokered private placement consisting of 3,000,000 units at $0.05 per unit for proceeds of $150,000. A portion of proceeds totaling $23,806 was collected prior to May 31, 2015 and included in subscriptions received at May 31, 2015. Each unit consisted of one common share and one share purchase warrant exercisable at $0.12 per share for 18 months expiring on December 11, 2016. In connection with the private placement, the Company issued 104,000 common shares as finders' fees with a fair value of $5,200.

On September 8, 2015, the Company completed a private placement consisting of 4,000,000 units at $0.03 per unit for proceeds of $120,000. Each unit consisted of one common share and one share purchase warrant. Each whole warrant is exercisable at $0.12 per share for 18 months expiring on March 9, 2017. In connection with the private placement, the Company issued 66,667 common shares as finders' fees with a fair value of $2,000. The Company also incurred additional share issuance costs of $5,016 related to this private placement.

On November 5, 2015, the Company issued 1,000,000 common shares with a fair value of $100,000 pursuant to acquire the investment in Aviron Group LLC (see Note 5).

On January 27, 2016, the Company completed a non-brokered private placement of 4,300,000 units at $0.035 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at $0.10 per share for 18 months expiring on July 27, 2016. In connection with the private placement, the Company issued 85,714 common shares as finders' fees with a fair value of $3,000. The Company also incurred additional share issuance costs of $1,518 related to this private placement.

On March 14, 2016, the Company closed a non-brokered private placement of 5,400,000 units at $0.025 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at $0.08 per share for 18 months expiring on September 14, 2017. In connection with the private placement, the Company issued 180,000 common shares as finders' fees with a fair value of $4,500.

During the year ended May 31, 2016, the Company issued 7,508,436 common shares upon exercise of warrants for total proceeds of $827,024.

During the year ended May 31, 2016, the Company issued 2,000,000 common shares upon exercise of stock options for total proceeds of $261,066.

As of May 31, 2016, $15,000 (2015 - $23,806) was received in subscriptions for non-brokered private placement occurred after year end.

Transactions for the year ended May 31, 2015:

In September 2014, the Company completed a private placement consisting of 4,233,333 common shares at $0.03 per share for proceeds of $127,000. In connection with the private placement, the Company issued 256,667 common shares as finders' fees with a fair value of $7,700.

In November 2014, the Company completed a private placement consisting of 4,000,000 units at a price of $0.05 per unit for proceeds of $200,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable for 18 months at $0.10 per share.

In February 2015, the Company completed a private placement consisting of 6,666,667 units at a price of $0.03 per unit for proceeds of $200,000. Each unit consisted of one common share and one share purchase warrant. Each whole warrant is exercisable for 18 months at $0.10 per share. The Company issued 271,833 common shares as finders' fees with a fair value of $8,155.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Transactions for the year ended May 31, 2015: (continued)

In April 2015, the Company completed a private placement consisting of 2,857,142 units at a price of $0.035 per unit for proceeds of $100,000. Each unit consisted of one common share and one share purchase warrant. Each whole warrant is exercisable for 18 months at $0.10 per share. The Company issued 102,142 common shares as finders' fees with a fair value of $3,575.

During the year ended May 31, 2015, the Company issued 1,284,000 common shares upon exercise of warrants for total proceeds of $177,600.

During the year ended May 31, 2015, the Company issued 200,000 common shares upon exercise of stock options for total proceeds of $54,000.

8. STOCK OPTIONS

Stock option plan and stock options issued:

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Share Option Plan (the "Plan"). Under the Plan, the option price must not be less than the closing price of the common shares of the Company on the TSX-V on the day immediately preceding the date of grant less the applicable discount if any. The number of options that may be issued under the plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Options vest immediately. Vesting restrictions may also be applied to certain other options grants, at the discretion of the directors.

The following table summarizes the continuity of the Company's stock options:

	Number of Underlying Shares	Weighted Average Exercise Price
Outstanding, May 31, 2014	1,983,333	$ 0.21
Granted	1,330,000	0.13
Exercised	(200,000)	0.15
Cancelled/Expired	(793,333)	0.30
Outstanding, May 31, 2015	2,320,000	$ 0.14
Granted	3,550,000	0.07
Exercised	(2,000,000)	0.09
Expired	(990,000)	0.15
Outstanding, May 31, 2016	2,880,000	$ 0.09

All of the options outstanding at May 31, 2016 were fully vested.

(Expressed in Canadian dollars)

8. STOCK OPTIONS (continued)

The fair value for stock options granted during the years ended May 31, 2016, and 2015, was estimated using the Black- Scholes option pricing model using the following weighted average assumptions:

	May 31, 2016	May 31, 2015
Risk-free interest rate	0.49%	1.07%
Expected life (in years)	2.00	2.00
Expected volatility	178%	179%
Expected forfeitures	0%	0%
Dividend yield	0%	0%

Total share-based compensation expense recognized for stock options granted during the year ended May 31, 2016, to directors, officers and consultants of the Company was $124,036 (2015 - $42,211) and was charged to operations.

The weighted average grant date fair value of stock options granted during the year was $0.03 (2015 - $0.03) per option. The weighted average remaining contractual life of the stock options outstanding as at May 31, 2016 was 1.22 years (2015 - 1.17 years).

9. SHARE PURCHASE WARRANTS

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of Underlying Shares	Weighted Average Exercise Price
Balance, May 31, 2014	6,665,238	$ 0.31
Issued	11,523,809	0.10
Exercised	(1,284,000)	0.14
Expired	(2,236,667)	0.51
Balance, May 31, 2015	14,668,380	$ 0.13
Issued	28,950,000	0.09
Exercised	(7,508,436)	0.11
Expired	(4,409,421)	0.19
Balance, May 31, 2016	31,700,523	$ 0.09

At May 31, 2016, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
5,166,667	$ 0.10	September 5, 2016
1,392,856	$ 0.10	October 22, 2016
1,540,333	$ 0.12	January 2, 2017
1,650,667	$ 0.12	March 9, 2017
12,250,000	$ 0.08	November 6, 2020
4,300,000	$ 0.10	July 27, 2017
5,400,000	$ 0.08	September 14, 2017
31,700,523		

(Expressed in Canadian dollars)

9. SHARE PURCHASE WARRANTS (continued)

The weighted average remaining contractual life of the warrants outstanding as at May 31, 2016 was 2.22 years (2015 – 1.04 years).

10. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

The Company derives sales from training services, software sales and licensing, and film distribution revenue and investment.

(a) Training Services and UK On-Track TV sales and expenses for the years ended May 31, 2016, and 2015, respectively:

	2016 $	2015 $
Revenue	546,082	549,541
Expenses	(1,163,542)	(935,113)
Loss	(617,460)	(385,572)

(b) Software and Licensing sales and expenses for the years ended May 31, 2016 and 2015, respectively:

	2016 $	2015 $
Revenue	–	–
Expenses	(842,942)	(602,527)
Loss	(842,942)	(602,527)

(c) Film distribution revenue, investment and expenses for the years ended May 31, 2016 and 2015, respectively:

	2016 $	2015 $
Revenue	3,819	–
Expenses	(80,737)	–
Accretion of promissory note and amounts receivable from from Aviron Group, LLC.	30,261	–
Impairment of investment in Aviron Group, LLC.	(354,832)	–
Impairment of promissory note and receivable from Aviron Group, LLC.	(875,446)	–
Loss	(1,276,935)	–

The aggregate amount of each line disclosed in the segments matches total amount presented in the statements of operations.

(Expressed in Canadian dollars)

10. SEGMENTED INFORMATION (continued)

The Company's operations are centralized whereby the Company's head office is responsible for the operational results. All of the Company’s assets are in Canada. The Company’s revenues include sales generated in Canada and in Europe as follows:

	2016	2015
	$	$
Canada	522,833	486,739
Europe	27,066	62,802
	549,899	549,541

11. PRODUCT DEVELOPMENT COSTS

(a) On-Track TV

During fiscal 2016 and 2015, the Company finished a complete set of on-line curriculum for its training division called On-Track TV. The costs associated with development of the On-Track TV, which are included in expenses for the years ended May 31, 2016 and 2015, are as follows:

	2016	2015
	$	$
Salary, wages and fees (management, programming and marketing)	212,548	111,951
Marketing, advertising and promotion	46,810	66,911
Materials	22,700	3,095
Production costs	11,700	–
	293,758	181,957

(b) Quizam software

The costs associated with development of the Quizam educational software, which are included in the consolidated statement of operations, and comprehensive loss for the years ended May 31, 2016 and 2015, are as follows:

	2016	2015
	$	$
Salary, wages and fees (management, programming and marketing)	36,692	44,478

12. RELATED PARTY TRANSACTIONS

(a) Key management compensation

The Company has identified its Directors, President and Chief Executive Officer, and Chief Financial Officer as its key management personnel and the compensation costs for key management personnel and companies for services related to them were recorded at their exchange amounts as agreed upon by transacting parties as follows:

	2016	2015
	$	$
Management fees	154,600	144,000

For the years ended May 31, 2016 and 2015, key management personnel were not paid any stock-based compensation, post-employment benefits, termination benefits or any other long-term benefits.

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS (continued)

(b) Amounts due to related parties

At May 31, 2016, $Nil was owed to (2015 – $137,853) a significant shareholder and companies owned by a significant shareholder, who is also a director and officer, and to a company owned by his relative.

(c) Related party transactions

Wages and benefits, accounting, investor and finance development, product development, moving, office and other miscellaneous expenses are provided by a company owned by a significant shareholder who is also a director and officer. An amount of $644,006 (2015 - $471,256) was included in expenses for these services during the years ended May 31, 2016.

During the year ended May 31, 2016, wages and benefits, marketing and publicity, investor and finance development, product development fees, and moving expenses totaling $182,477 (2015 - $91,847) were included in expenses to a company owned by a relative of one of the directors.

13. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of $17,525,967 at May 31, 2016 (2015 – $14,604,481). The Company's principal source of capital is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital funding to be able to meet the Company's educational software development, internet training development and film production to ensure the growth of activities.

14. LINE OF CREDIT

As at May 31, 2016, the Company has a line of credit of $5,000 bearing interest at the bank's prime rate plus five percent. The line of credit is guaranteed by the assets of the Company. There was no outstanding balance as of May 31, 2016 and 2015.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, amounts receivable, promissory note receivable, accounts payable, and due to related parties. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	May 31, 2016 $	May 31, 2015 $
FVTPL (i)	29,328	–
Loans and receivables (ii)	19,151	12,287
Other financial liabilities (iii)	(244,386)	(446,919)

(i) Cash and cash equivalents

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) Accounts receivable
(iii) Accounts payable, cheques written in excess of funds on deposit, amounts due to related parties, deferred revenue and promissory notes payable

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

	Level	**2016**	**2015**
		$	$
Cash and cash equivalents	1	29,328	–

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivable. Credit risk from accounts receivable encompasses the default risk of its customers. The Company manages its exposure to credit risk by only working with reputable companies and by performing on-going credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed appropriate. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The following table provides information regarding the aging of financial assets that are past due but which are not impaired as at May 31, 2016:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable	$ 10,872	4,829	-	3,450	19,151

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity Risk

The Company manages its ability to meet its short-term obligations through the capital management described in Note 13. The Company has a working capital deficit and requires additional financing to fund operations.

Foreign Exchange Risk

As the Company generates a portion of its revenues in the U.K., the Company's foreign exchange risk arises primarily with respect to the U.K. pound sterling. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 4% of the Company's revenues are denominated in the U.K. pound sterling (2015 – 5%), while a significant amount of the Company's expenses are denominated in Canadian dollars. In management's opinion the Company is not exposed to significant foreign exchange rate risk.

Interest Rate Risk

In management's opinion the Company is not exposed to significant interest rate risk.

16. COMMITMENT

The Company has signed a rental agreement effective until June 29, 2017, and has committed to rental payments for the next two years as follows:

	$
May 31, 2017	142,059
May 31, 2018	11,839
Total	153,898

17. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2016 $	2015 $
Canadian statutory income tax rate	26%	26%
Net loss before tax per financial statements	(2,737,337)	(988,099)
Income tax recoverable at statutory rates	711,708	256,906
Permanent differences and other	(69,096)	(5,967)
Expiry of losses	–	(172,226)
Unrecognized tax assets	(642,612)	(78,713)
Income tax recoverable	–	–

(Expressed in Canadian dollars)

17. INCOME TAXES (continued)

The tax effects of temporary differences that give rise to significant portions of the potential deferred tax assets are as follows:

	2016 $	2015 $
Future effective tax rate	26%	26%
Deferred income tax assets		
Non-capital losses carried forward	2,925,881	2,580,536
Property, equipment and other	66,166	41,478
Investment in Aviron, promissory note and amounts receivable from Aviron	273,744	–
Share issuance costs	6,873	8,038
Unrecognized deferred tax assets	(3,272,664)	(2,630,052)
Net deferred income tax assets	–	–

The Company has approximately $11,253,389 (2015 – $9,925,140) in Canadian non-capital losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	$
2026	834,329
2027	1,065,796
2028	1,255,435
2029	1,159,201
2030	980,292
2031	1,069,816
2032	1,039,129
2033	680,374
2034	885,536
2035	955,232
2036	1,328,249
	11,253,389

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

18. SUBSEQUENT EVENTS

(a) On June 1, 2016, the Company granted 1,300,000 stock options exercisable at $0.05 per share until June 1, 2018.

(b) On June 1, 2016, the Company granted 550,000 stock options exercisable at $0.05 per share until November 5, 2020.

(c) On June 10, 2016, the Company closed a non-brokered private placement of 3,410,000 units at $0.03 per unit. Each unit consists of one common share and one share purchase warrant exercisable at $0.07 per share for 18 months. In connection with the private placement, the Company issued 50,000 common shares as finders' fees.

(d) Subsequent to May 31, 2016, the Company issued 1,200,000 shares upon exercise of options for gross proceeds of $60,000.

(e) Subsequent to May 31, 2016, the Company issued 4,884,000 shares upon exercise of warrants for gross proceeds of $440,800.