QUIZAM MEDIA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

NOVEMBER 30, 2017 AND 2016

(Unaudited)

The accompanying unaudited interim financial statements have been prepared by Management of Quizam Media Corporation and have not been reviewed by the Company's auditors

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	As at November 30, 2017 $	As at May 31, 2017 $
ASSETS		
Current		
Cash and cash equivalents	3,398	324,911
Accounts receivable	78,467	30,324
Prepaid expenses and deposits	26,359	27,492
Sales taxes recoverable	3,606	27,103
Total current assets	111,830	409,830
Property and equipment (Note 3)	85,626	32,503
Total assets	197,456	442,333
LIABILITIES		
Current		
Accounts payable and accrued liabilities	94,876	110,477
Deferred revenue	26,358	56,656
Due to related parties (Note 9)	566,142	474,908
Total liabilities	687,376	642,041
EQUITY (DEFICIENCY)		
Share capital (Note 4)	17,125,719	16,947,446
Contributed surplus	2,359,322	2,359,322
Deficit	(19,974,961)	(19,506,476)
Total equity (deficiency)	(489,920)	(199,708)
Total liabilities and equity (deficiency)	197,456	442,333

Nature and continuance of operations (Note 1)
Commitments (Note 13)

APPROVED ON BEHALF OF THE BOARD ON JANUARY 26, 2018

/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)

(Unaudited – Prepared by Management)

	Three Months Ending November 30, 2017	Three Months Ending November 30, 2016	Six Months Ending November 30, 2017	Six Months Ending November 30, 2016
	$	$	$	$
REVENUES				
Training services and software sales	178,431	113,373	317,375	229,993
Film distribution licences	–	4,985	–	4,985
Custom app development	–	15,750	–	15,750
	178,431	134,108	317,375	250,728
EXPENSES				
Accounting and legal (Note 9)	64,451	161,067	94,967	263,917
Automobile	5,207	2,723	7,773	5,730
Bank charges and finance fees	6,895	7,521	11,495	9,941
Depreciation	6,061	13,546	9,603	15,486
Investor and finance development (Note 9)	25,320	57,825	46,773	122,155
Management fees (Note 9)	36,000	31,800	72,000	72,000
Office and miscellaneous (Note 9)	22,869	13,145	49,506	81,649
On-Track TV development costs (Note 8 and 9)	35,900	86,020	62,400	139,720
Regulatory fees	2,612	6,711	4,144	8,632
Rent	47,141	35,515	58,585	71,030
Research and development (Note 9)	50,150	102,306	81,575	116,106
Software development costs (Note 9)	–	19,776	2,500	50,851
Share-based compensation (Note 5)	–	134,333	–	176,924
Subcontractors (Note 9)	39,573	50,238	62,846	150,257
Telephone and internet	4,766	7,258	17,034	10,493
Travel and business development (Note 9)	82,917	139,051	111,252	188,516
Wages and benefits (Note 9)	48,629	48,687	93,416	92,486
	478,491	917,522	785,869	1,575,893
LOSS BEFORE OTHER ITEMS	(300,060)	(783,414)	(468,494)	(1,325,165)
OTHER ITEMS				
Impairment of film distribution rights	–	–	–	(3,650)
Interest income (expense)	1	(29)	9	(28)
NET LOSS AND COMPREHENSIVE LOSS	(300,059)	(783,443)	(468,485)	(1,328,843)
LOSS PER SHARE BASIC AND DILUTED	(0.02)	(0.08)	(0.03)	(0.15)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	14,531,000	10,282,409	14,229,000	9,022,031

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Six Months Ending November 30, 2017 $	Six Months Ending November 30, 2016 $
OPERATING ACTIVITIES		
Net loss	(468,485)	(1,328,843)
Add back non-cash items:		
Depreciation	9,603	15,486
Impairment of film distribution rights	–	3,650
Share-based compensation	–	176,924
	(458,882)	(1,132,783)
Changes in non-cash working capital items:		
Accounts receivable	(48,143)	(12,012)
Prepaid expenses and deposits	1,133	6,300
Taxes recoverable	23,497	(11,779)
Accounts payable and accrued liabilities	(15,601)	(81,097)
Due to related parties	91,234	(103,519)
Deferred revenue	(30,298)	10,560
CASH USED IN OPERATING ACTIVITIES	(437,060)	(1,324,330)
FINANCING ACTIVITIES		
Issuance of common shares, net	178,273	1,308,100
CASH PROVIDED BY FINANCING ACTIVITIES	178,273	1,308,100
INVESTING ACTIVITIES		
Acquisition of property and equipment	(62,726)	(6,695)
Investment in film production	–	(3,650)
CASH USED IN INVESTING ACTIVITIES	(62,726)	(10,345)
DECREASE IN CASH AND CASH EQUIVALENTS	(321,513)	(26,575)
CASH AND CASH EQUIVALENTS – BEGINNING OF THE PERIOD	324,911	29,328
CASH AND CASH EQUIVALENTS – END OF THE PERIOD	3,398	2,753
SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–
NON-CASH FINANCING ACTIVITIES		
Issuance of shares for finders' fees	2,025	48,735

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

FOR THE SIX MONTHS ENDED NOVEMBER 30, 2017 AND 2016

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Number of Common Shares	Amount $	Contributed Surplus $	Share Subscriptions Received $	Deficit $	Total $
As at May 31, 2016	7,079,726	15,337,285	2,173,682	15,000	(17,647,399)	(121,432)
Units issued for cash	5,141,000	822,300	–	(15,000)	–	807,300
Issued as finder's fees	319,900	48,735	–	–	–	48,735
Share issuance costs	–	(48,735)	–	–	–	(48,735)
Warrants exercised	488,400	440,800	–	–	–	440,800
Stock options exercised	120,000	80,834	(20,834)	–	–	60,000
Share-based compensation	–	–	176,924	–	–	176,924
Rounding upon share consolidation	(25)	–	–	–	–	–
Net loss for the period	–	–	–	–	(1,328,843)	(1,328,843)
As at November 30, 2016	13,149,001	16,681,219	2,329,772	–	(18,976,242)	34,779
As at May 31, 2017	13,930,611	16,947,446	2,359,322	–	(19,506,476)	(199,708)
Units issued for cash	2,000,000	180,000	–	–	–	180,000
Issued as finder's fees	22,500	2,025	–	–	–	2,025
Share issuance costs	–	(3,752)	–	–	–	(3,752)
Net loss for the period	–	–	–	–	(468,485)	(468,485)
As at November 30, 2017	15,953,111	17,125,719	2,359,322	–	(19,974,961)	(489,920)

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 interim 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 and Basis of Presentation

These interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, On-Track Computer Training Ltd. and Quizam Entertainment LLC. All inter-company balances and transactions have been eliminated on consolidation.

The consolidated financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, which is the Company’s functional currency.

b) 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, 2018, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The following accounting standards and amendments are effective for the Company’s fiscal year beginning on June 1, 2018:

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.

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) 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.

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 following accounting standard is effective for the Company's fiscal year beginning on June 1, 2019:

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.

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 completed.

3. PROPERTY AND EQUIPMENT

Cost	**Computer Hardware**	**Furniture and Fixtures**	**Leasehold Improvements**	**Library**	**Total**
As at May 31, 2017	$ 403,066	$ 79,075	$ 24,617	$ 4,755	$ 511,513
Additions	4,814	14,147	43,765	–	62,726
As at November 30, 2017	$ 407,880	$ 93,222	$ 68,382	$ 4,755	$ 574,239
Accumulated Depreciation					
As at May 31, 2017	$ 373,012	$ 77,139	$ 24,104	$ 4,755	$ 479,010
Depreciation	5,578	1,167	2,858	–	9,603
As at November 30, 2017	$ 378,590	$ 78,306	$ 26,962	$ 4,755	$ 488,613
Carrying Amounts					
Balance, May 31, 2017	$ 30,054	$ 1,936	$ 513	$ –	$ 32,503
Balance, November 30, 2017	$ 29,290	$ 14,916	$ 41,420	$ –	$ 85,626

(Expressed in Canadian dollars)

4. 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 interim consolidated statements of changes in equity (deficiency).

Transactions during the six months ended November 30, 2016:

On November 3, 2017, the Company closed a non-brokered private placement of 2,000,000 units at $0.09 per unit for gross proceeds of $180,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.30 per share for the first 12 months and at $0.50 per share for an additional 12 months. In connection with the private placement, the Company issued 22,500 shares as finders' fees with a fair value of $2,025.

5. 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, 2017	480,000	$ 0.56
Expired/Cancelled	(55,000)	1.00
Outstanding, November 30, 2017	425,000	$ 0.50

All of the options outstanding at November 30, 2017 were fully vested.

The fair value for stock options granted during the six months ended November 30, 2017 and 2016, was estimated using the Black- Scholes option pricing model using the following weighted average assumptions:

	November 30, 2017	November 30, 2016
Risk-free interest rate	–	0.61%
Expected life (in years)	–	2.51
Expected volatility	–	186%
Expected forfeitures	–	0%
Dividend yield	–	0%

(Expressed in Canadian dollars)

5. STOCK OPTIONS (continued)

Total share-based compensation expense recognized for stock options granted during the six months ended November 30, 2017, to directors, officers and consultants of the Company was $nil (2016 - $176,924) and was charged to operations.

The weighted average grant date fair value of stock options granted during the period was $nil (2016 - $0.08) per option. The weighted average remaining contractual life of the stock options outstanding as at November 30, 2017 was 0.46 years (May 31, 2017 – 0.87 years).

6. 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, 2017	5,858,023	$ 0.37
Issued	2,000,000	0.30
Expired	(481,633)	0.87
Balance, November 30, 2017	7,376,390	$ 0.32

At November 30, 2017, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
96,390	$0.70*	December 10, 2017
4,800,000	$0.30	June 21, 2018
480,000	$0.50	August 1, 2018
2,000,000	$0.30**	October 28, 2019
7,376,390		

* Expired subsequently
** Exercise price increases to $0.50 per share on October 28, 2018

The weighted average remaining contractual life of the warrants outstanding as at November 30, 2017, was 0.92 years (May 31, 2017 – 0.85 years).

7. 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 licenses sales.

(Expressed in Canadian dollars)

7. SEGMENTED INFORMATION (continued)

(a) Training Services and UK On-Track TV sales and expenses for the six months ended November 30, 2017 and 2016, respectively:

	2017 $	2016 $
Revenue	317,375	229,993
Expenses	(486,218)	(794,501)
Profit (loss)	(168,843)	(564,508)

(b) Software and Licensing sales and expenses for the six months ended November 30, 2017 and 2016, respectively:

	2017 $	2016 $
Revenue	–	–
Expenses	(73,070)	–
Profit (loss)	(73,070)	–

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:

	2017 $	2016 $
Canada	317,375	250,728
Europe	–	–
	317,375	250,728

8. PRODUCT DEVELOPMENT COSTS

(a) On-Track TV

During fiscal 2017 and 2016, 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 six months ended November 30, 2017 and 2016, are as follows:

	2017 $	2016 $
Salary, wages and fees	8,170	83,195
Production costs	115,495	56,525
	123,665	139,720

(Expressed in Canadian dollars)

8. PRODUCT DEVELOPMENT COSTS (continued

(b) Quizam software

The costs associated with development of the Quizam educational software, which are included in the interim consolidated statement of operations, and comprehensive loss for the six months ended November 30, 2017 and 2016, are as follows:

	2017 $	2016 $
Salary, wages and fees (management, programming and marketing)	39,150	50,851

9. 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 and fees related to them were recorded at their exchange amounts as agreed upon by transacting parties. During the six months ended November 30, 2017, the Company incurred management fees of $72,000 (2016 - $72,000). For the six months ended November 30, 2017 and 2016, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

(b) Amounts due to related parties

At November 30, 2017, $566,142 (May 31, 2017 – $474,908) was owed to 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

During the six months ended November 30, 2017, an amount of $366,052 (2016 - $933,704) was included in expenses for services provided by companies owned by a significant shareholder, who is also a director and officer, and immediate family of the significant shareholder. The breakdown of expenses included in the interim consolidated statement of operations and comprehensive loss is as follows:

	2017 $	2016 $
Accounting and legal	59,150	231,650
Investor and finance development	39,550	122,120
Management fees	72,000	82,200
Office and miscellaneous	32,025	89,680
On-Track TV development costs	57,000	168,670
Research and development	81,575	109,423
Software development costs	2,500	51,151
Subcontractors	–	106,375
Travel and business development	10,650	6,500
Wages and benefits	11,602	25,935
	366,052	933,704

(Expressed in Canadian dollars)

10. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of $19,485,041 at November 30, 2017 (May 31, 2017 – $19,306,768). 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.

11. LINE OF CREDIT

As at November 30, 2017, 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 November 30, 2017, and 2016.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts 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:

	November 30, 2017 $	May 31, 2017 $
FVTPL (i)	3,398	324,911
Loans and receivables (ii)	78,467	30,324
Other financial liabilities (iii)	(661,018)	(585,385)

(i) Cash and cash equivalents
(ii) Accounts receivable
(iii) Accounts payable, amounts due to related parties 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.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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	November 30, 2017 $	May 31, 2017 $
Cash and cash equivalents	1	3,398	324,911

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 November 30, 2017:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable	$ 48,213	30,254	–	–	78,467

Liquidity Risk

The Company manages its ability to meet its short-term obligations through the capital management described in Note 10. 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., and a portion is in the U.S. (movie sales), the Company's foreign exchange risk arises with respect to the U.K. pound sterling and U.S. dollar. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 0% of the Company's revenues are denominated in the U.K. pound sterling (2016 – 9%), and 0% in U.S. dollars (2016 – 0%) 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.

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest Rate Risk

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

13. COMMITMENTS

During the year ended May 31, 2017, the Company signed a new rental agreement effective until August 31, 2022. The Company has committed to pay rent, taxes and operating costs. Minimum lease payments are as follows:

2018	49,128
2019	101,460
2020	105,732
2021	110,004
2022	114,276
Thereafter	28,836
Total	509,436

14. SUBSEQUENT EVENTS

Subsequent to November 30, 2017, a total of 96,390 warrants exercisable at $0.70 per share expired unexercised.

Subsequent to November 30, 2017, a total of 1,066,667 warrants were exercised at $0.30 per share for proceeds of $320,000.