



QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
May 31, 2018 AND 2017



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, 2018 and 2017 and the consolidated statements of operations and comprehensive loss, cash flows and changes in 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, 2018 and 2017, 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 26, 2018

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**(Expressed in Canadian dollars)

	As at May 31, 2018 \$	As at May 31, 2017 \$
ASSETS		
Current		
Cash and cash equivalents	76,253	324,911
Accounts receivable	13,660	30,324
Prepaid expenses and deposits	31,604	27,492
Sales taxes recoverable	13,518	27,103
Total current assets	135,035	409,830
Property and equipment (Note 3)	98,728	32,503
Total assets	233,763	442,333
LIABILITIES		
Current		
Accounts payable and accrued liabilities	89,962	110,477
Deferred lease inducement	25,079	-
Deferred revenue	24,701	56,656
Due to related parties (Note 11)	242,535	474,908
	382,277	642,041
Deferred lease inducement	13,751	-
Total liabilities	396,028	642,041
DEFICIENCY		
Share capital (Note 6)	18,138,016	16,947,446
Subscriptions receivable (Note 6)	(105,800)	-
Contributed surplus (Notes 7 and 8)	2,439,630	2,359,322
Deficit	(20,634,111)	(19,506,476)
Total deficiency	(162,265)	(199,708)
Total liabilities and deficiency	233,763	442,333

Nature and continuance of operations (Note 1)

Commitments (Note 15)

APPROVED ON BEHALF OF THE BOARD ON SEPTEMBER 26, 2018

/s/ "Russ Rossi"

Russ Rossi, Director

/s/ "Jim Rosevear"

Jim Rosevear, Director

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

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

	Year Ending May 31, 2018	Year Ending May 31, 2017
	\$	\$
REVENUES		
Training services and software sales	631,247	522,547
Film distribution licences	–	8,553
Custom app development	–	15,750
	631,247	546,850
EXPENSES		
Accounting and legal (Note 11)	142,541	399,810
Automobile	19,109	11,920
Bank charges and finance fees	10,065	10,889
Depreciation	26,169	22,810
Investor and finance development (Note 11)	103,934	242,815
Management fees (Note 11)	144,000	154,400
Office and miscellaneous (Note 11)	155,949	188,406
On-Track TV development costs (Note 10, 11)	99,450	155,549
Regulatory fees	22,495	29,365
Rent	186,921	154,059
Research and development (Note 11)	150,640	244,606
Software development costs (Note 11)	11,667	81,195
Share-based compensation (Note 7)	80,308	139,575
Subcontractors (Note 11)	153,958	263,116
Telephone and internet	36,665	16,832
Travel and business development (Note 11)	194,890	143,165
Wages and benefits (Note 11)	221,095	185,432
	1,759,856	2,443,944
LOSS BEFORE OTHER ITEMS	(1,128,609)	(1,897,094)
OTHER ITEMS		
Amortization and impairment of film distribution rights (Note 4)	–	(29,264)
Foreign exchange	782	757
Interest income	192	524
Termination fee received from Aviron Group, LLC (Note 5)	–	66,000
NET LOSS AND COMPREHENSIVE LOSS	(1,127,635)	(1,859,077)
LOSS PER SHARE BASIC AND DILUTED	(0.07)	(0.16)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	17,178,000	11,407,147

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, 2018 \$	Year Ending May 31, 2017 \$
OPERATING ACTIVITIES		
Net loss	(1,127,635)	(1,859,077)
Add back non-cash items:		
Amortization and impairment of film distribution rights	–	29,264
Depreciation	26,169	22,810
Share-based compensation	80,308	139,575
	(1,021,158)	(1,667,428)
Changes in non-cash working capital items:		
Accounts receivable	16,664	(11,173)
Prepaid expenses and deposits	(4,112)	(10,954)
Taxes recoverable	13,585	(14,449)
Accounts payable and accrued liabilities	(20,516)	(26,229)
Deferred lease inducement	38,830	–
Due to related parties	(232,373)	351,468
Deferred revenue	(31,955)	43,766
CASH USED IN OPERATING ACTIVITIES	(1,241,035)	(1,334,999)
FINANCING ACTIVITIES		
Issuance of common shares, net	1,084,770	1,641,226
CASH PROVIDED BY FINANCING ACTIVITIES	1,084,770	1,641,226
INVESTING ACTIVITIES		
Acquisition of property and equipment	(92,394)	(10,644)
CASH USED IN INVESTING ACTIVITIES	(92,394)	(10,644)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(248,658)	295,583
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	324,911	29,328
CASH AND CASH EQUIVALENTS – END OF THE YEAR	76,253	324,911
SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–
NON-CASH FINANCING ACTIVITIES		
Issuance of shares for finders' fees	70,241	90,124

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

QUIZAM MEDIA CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

(Expressed in Canadian dollars)

	Number of Common Shares	Amount \$	Contributed Surplus \$	Share Subscriptions Receivable \$	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	5,621,000	942,300	–	–	(15,000)	–	927,300
Issued as finder's fees	346,900	90,124	–	–	–	–	90,124
Share issuance costs	–	(113,225)	–	–	–	–	(113,225)
Warrants exercised	733,010	612,027	–	–	–	–	612,027
Stock options exercised	250,000	178,935	(53,935)	–	–	–	125,000
Share-based compensation	–	–	139,575	–	–	–	139,575
Return and cancellation of common shares from Aviron Group LLC	(100,000)	(100,000)	100,000	–	–	–	–
Rounding upon share consolidation	(25)	–	–	–	–	–	–
Net loss for the year	–	–	–	–	–	(1,859,077)	(1,859,077)
As at May 31, 2017	13,930,611	16,947,446	2,359,322	–	–	(19,506,476)	(199,708)
Units issued for cash	15,100,000	881,000	–	(105,800)	–	–	775,200
Issued as finder's fees	839,766	70,241	–	–	–	–	70,241
Share issuance costs	–	(80,671)	–	–	–	–	(80,671)
Warrants exercised	1,066,667	320,000	–	–	–	–	320,000
Share-based compensation	–	–	80,308	–	–	–	80,308
Net loss for the year	–	–	–	–	–	(1,127,635)	(1,127,635)
As at May 31, 2018	30,937,044	18,138,016	2,439,630	(105,800)	–	(20,634,111)	(162,265)

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

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

(Expressed in Canadian dollars)

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. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “QQ” (moved from the TSX Venture Exchange (“TSX-V”) effective July 12, 2018). 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 Suite 650 – 609 Granville Street, Vancouver, BC, V7Y 1G6.

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 compensation, 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, the assessment of the Company’s ability to continue as a going concern and the assessment of 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.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Basis of consolidation

The consolidated financial statements include the accounts of the Company and On-Track Computer Training Ltd. ("On-Track"). On-Track was acquired through a "reverse takeover" share exchange in January 2003 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, 2018	May 31, 2017
On-Track	Computer training and consulting services	Canada	100%	100%

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	straight-line over the estimated term of the related lease

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

(Expressed in Canadian dollars)

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 the consolidated statements of operations and comprehensive loss.

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.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian dollars)

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 asset and 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.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Share-based compensation

The Company records all share-based compensation at its 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 statement of 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, basic and diluted loss are the same.

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 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 cash and cash equivalents, accounts receivable, accounts payable, deferred revenue, and due to related parties. 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.

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

i. Financial assets

The Company has classified cash and cash equivalents as FVTPL. The Company has classified accounts receivable as loans and receivables. The Company has not classified any financial assets as held to maturity.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

ii. Financial liabilities

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

q) Accounting pronouncements adopted by the Company

During the year ended May 31, 2018, the Company adopted Annual Improvements to IFRS, 2014-2016 cycle, effective for annual periods beginning after January 1, 2017. The amendments did not have an impact on the Company's consolidated financial statements.

r) New accounting standards not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for the Company's annual 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 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.

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 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.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) New accounting standards not yet adopted (continued)

The following accounting standards and amendments are 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, 2016	\$ 392,422	\$ 79,075	\$ 24,617	\$ 4,755	\$ 500,869
Additions	10,644	–	–	–	10,644
As at May 31, 2017	403,066	79,075	24,617	4,755	511,513
Additions	12,770	14,705	64,920	–	92,394
As at May 31, 2018	\$ 415,836	\$ 93,780	\$ 89,537	\$ 4,755	\$ 603,907

Accumulated Depreciation

As at May 31, 2016	\$ 366,057	\$ 76,220	\$ 9,422	\$ 4,501	\$ 456,200
Depreciation	6,955	919	14,682	254	22,810
As at May 31, 2017	373,012	77,139	24,104	4,755	479,010
Depreciation	12,735	3,027	10,408	–	26,169
As at May 31, 2018	\$ 385,747	\$ 80,166	\$ 34,512	\$ 4,755	\$ 505,179

Carrying Amounts

Balance, May 31, 2017	\$ 30,054	\$ 1,936	\$ 513	\$ –	\$ 32,503
Balance, May 31, 2018	\$ 30,089	\$ 13,614	\$ 55,025	\$ –	\$ 98,728

4. INVESTMENT IN FILM PRODUCTION AND FILM DISTRIBUTION RIGHTS

The Company invested a total of \$110,000 in film production and film distribution rights. At May 31, 2016, it wrote the value of this investment down to its estimated recoverable amount based on the forecasted future revenue from film distribution rights of \$29,264 on May 31, 2016. During the year ended May 31, 2017, management decided not to continue with the project, and the Company wrote off the remaining balance of film distribution rights down to \$Nil.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian dollars)

5. INVESTMENT IN AVIRON GROUP, LLC

On November 5, 2015, the Company completed a Share Exchange Agreement for an investment in William Sadleir's motion picture distribution company, Aviron Group, LLC. ("Aviron"), headquartered in Beverly Hills, California. The Company issued 100,000 common shares and 1,225,000 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 100,000 common shares with a fair value of \$100,000 and 1,225,000 share purchase warrants, exercisable at \$0.80 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%.

During the year ended May 31, 2017, the Company terminated the agreement with Aviron and all elements of the agreement were reversed, including the return of 100,000 common shares of the Company from Aviron. In addition, the Company received a termination fee of \$66,000 from Aviron.

6. 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).

Effective October 5, 2016, the Company completed a 10-for-1 share consolidation. All share and per share amounts have been retroactively restated to reflect the share consolidation.

Transactions during the year ended May 31, 2018:

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. The Company also incurred other share issuance costs of \$1,727.

On February 2, 2018, the Company closed a non-brokered private placement of 4,600,000 units at \$0.06 per unit for gross proceeds of \$276,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.15 per share for the first 12 months and at \$0.25 per share for an additional 24 months. In connection with the private placement, the Company issued 319,666 shares as finders' fees with a fair value of \$38,360. The Company also incurred other share issuance costs of \$5,703.

On May 31, 2018, the Company closed a non-brokered private placement of 8,500,000 units at \$0.05 per unit for gross proceeds of \$425,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.08 per share for the first 18 months and at \$0.10 per share for an additional 18 months. In connection with the private placement, the Company issued 497,600 shares as finders' fees with a fair value of \$29,856. The Company also incurred other share issuance costs of \$2,999.

During the year ended May 31, 2018, the Company issued 1,066,667 shares upon the exercise of warrants at \$0.30 per share for gross proceeds of \$320,000.

Transactions for the year ended May 31, 2017:

On June 10, 2016, the Company closed a non-brokered private placement of 341,000 units at \$0.30 per unit for gross proceeds of \$102,300. A portion of proceeds totaling \$15,000 was collected prior to May 31, 2016 and included in subscriptions received at May 31, 2016. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.70 per share for 18 months. In connection with the private placement, the Company issued 5,000 shares as finders' fees with a fair value of \$1,500.

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6. SHARE CAPITAL (continued)

On October 21, 2016, the Company closed a non-brokered private placement of 4,800,000 units at \$0.15 per unit for gross proceeds of \$720,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.30 per share for 18 months. In connection with the private placement, the Company issued 314,900 common shares as finders' fees with a fair value of \$81,874.

On February 1, 2017, the Company closed a non-brokered private placement of 480,000 units at \$0.25 per unit for gross proceeds of \$120,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for 18 months. In connection with the private placement, the Company issued 27,000 shares as finders' fees with a fair value of \$6,750.

During the year ended May 31, 2017, the Company issued 250,000 common shares upon the exercise of stock options for gross proceeds of \$125,000.

During the year ended May 31, 2017, the Company issued 733,010 common shares upon the exercise of warrants for gross proceeds of \$612,027.

During the year ended May 31, 2017, the Company received 100,000 common shares, which were returned by Aviron Group, LLC, pursuant to the termination of the Share Exchange Agreement dated November 5, 2015 (Note 5). On May 8, 2017, the 100,000 common shares were cancelled.

7. 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, 2016	288,000	\$ 0.90
Granted	590,000	0.50
Exercised	(250,000)	0.50
Expired/Cancelled	(148,000)	1.04
Outstanding, May 31, 2017	480,000	\$ 0.56
Granted	1,830,000	0.19
Expired/Cancelled	(805,000)	0.33
Outstanding, May 31, 2018	1,505,000	\$ 0.23

All of the options outstanding at May 31, 2018 were fully vested.

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7. STOCK OPTIONS (continued)

The fair value for stock options granted during the years ended May 31, 2018 and 2017, was estimated using the Black- Scholes option pricing model using the following weighted average assumptions:

	2018	2017
Risk-free interest rate	1.70%	0.56%
Expected life (in years)	1.88	1.91
Expected volatility	151%	163%
Expected forfeitures	0%	0%
Dividend yield	0%	0%

Total share-based compensation expense recognized for stock options granted during the year ended May 31, 2018, to directors, officers and consultants of the Company was \$80,308 (2017 - \$139,575) and was charged to operations.

The weighted average grant date fair value of stock options granted during the period was \$0.04 (2017 - \$0.26) per option. The weighted average remaining contractual life of the stock options outstanding as at May 31, 2018 was 1.47 years (2017 – 0.87).

8. SHARE PURCHASE WARRANTS

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

	Number of Underlying Shares	Weighted Average Exercise Price
Outstanding, May 31, 2016	3,170,052	\$ 0.90
Issued	5,621,000	0.34
Exercised	(733,010)	0.83
Forfeited	(1,225,000)	0.80
Expired/Cancelled	(975,019)	1.07
Outstanding, May 31, 2017	5,858,023	\$ 0.37
Issued	15,100,000	0.13
Exercised	(1,066,667)	0.30
Expired	(4,311,356)	0.37
Outstanding, May 31, 2018	15,580,000	\$ 0.14

At May 31, 2018, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
480,000	\$0.50	August 1, 2018 (expired subsequently)
2,000,000	\$0.30*	November 1, 2019
4,600,000	\$0.15**	February 2, 2021
8,500,000	\$0.08***	May 29, 2021
15,580,000		

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

** Exercise price increases to \$0.25 per share on February 3, 2019

*** Exercise price increases to \$0.10 per share on December 1, 2019

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8. SHARE PURCHASE WARRANTS (continued)

The weighted average remaining contractual life of the warrants outstanding as at May 31, 2018 was 2.61 years (2017 – 0.85).

9. 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.

- (a) Training Services and UK On-Track TV sales and expenses for the year ended May 31, 2018 and 2017, respectively:

	2018	2017
	\$	\$
Revenue	631,247	522,547
Expenses	(1,222,812)	(1,234,606)
Loss	(591,565)	(712,059)

- (b) Software and Licensing sales and expenses for the year ended May 31, 2018 and 2017, respectively:

	2018	2017
	\$	\$
Revenue	–	15,750
Expenses	(2,500)	(36,851)
Loss	(2,500)	(21,101)

- (c) Film Distribution Licenses sales and expenses for the years ended May 31, 2018 and 2017, respectively:

	2018	2017
	\$	\$
Revenue	–	8,553
Expenses	–	(29,263)
Loss	–	(20,710)

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:

	2018	2017
	\$	\$
Canada	605,919	523,316
Europe	25,328	23,534
	631,247	546,850

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10. PRODUCT DEVELOPMENT COSTS

(a) On-Track TV

During fiscal 2018 and 2017, 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, 2018 and 2017, are as follows:

	2018	2017
	\$	\$
Salary, wages and fees	11,700	56,525
Production costs	87,750	99,024
	<u>99,450</u>	<u>155,549</u>

(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, 2018 and 2017, are as follows:

	2018	2017
	\$	\$
Salary, wages and fees (management, programming and marketing)	2,971	3,500

11. 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. Expenses incurred for key management compensation are summarized as follows:

	2018	2017
	\$	\$
Management fees	144,000	154,400
Share-based compensation	21,356	-
	<u>165,356</u>	<u>154,400</u>

For the year ended May 31, 2018 and 2017, 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 May 31, 2018, \$242,535 (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.

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11. RELATED PARTY TRANSACTIONS (continued)

(c) Related party transactions

During the year ended May 31, 2018, an amount of \$729,741 (2017 - \$1,476,372) 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 consolidated statement of operations and comprehensive loss is as follows:

	2018	2017
	\$	\$
Accounting and legal	98,200	335,448
Investor and finance development	72,850	164,070
Management fees	144,000	154,400
Office and miscellaneous	80,396	138,752
On-Track TV development costs	79,550	153,635
Research and development	150,640	242,928
Software development costs	8,750	75,945
Subcontractors	2,500	160,426
Travel and business development	32,200	6,500
Wages and benefits	60,655	44,268
	729,741	1,476,372

12. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of \$20,471,846 at May 31, 2018 (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.

13. LINE OF CREDIT

As at May 31, 2018, 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, 2018, and 2017.

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14. 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:

	2018 \$	2017 \$
FVTPL (i)	76,253	324,911
Loans and receivables (ii)	13,660	30,324
Other financial liabilities (iii)	(357,198)	(642,041)

(i) Cash and cash equivalents

(ii) Accounts receivable

(iii) Accounts payable, deferred revenue and amounts due to related parties

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	2018 \$	2017 \$
Cash and cash equivalents	1	76,253	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 Company has not recorded any allowance against its accounts receivable.

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14. 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 12. 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 4% of the Company's revenues are denominated in the U.K. pound sterling (2017 – 7%), and 0% in U.S. dollars (2017 – 2%) 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.

15. COMMITMENTS

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

2019	100,134
2020	104,365
2021	108,596
2022	112,827
Thereafter	38,079
Total	464,000

16. INCOME TAXES

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

	2018	2017
	\$	\$
Canadian statutory income tax rate	26%	26%
Net loss before tax per financial statements	(1,127,635)	(1,859,077)
Income tax recoverable at statutory rates	293,185	483,361
Permanent differences and other	(20,037)	(313,240)
Differences in future tax rate	142,921	–
Expiry of losses	–	–
Unrecognized tax assets	(416,069)	(170,121)
Income tax recoverable	–	–

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16. INCOME TAXES (Continued)

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

	2018	2017
	\$	\$
Future effective tax rate	27%	26%
Deferred income tax assets		
Non-capital losses carried forward	3,752,815	3,360,820
Property, equipment and other	82,411	72,555
Share issuance costs	23,628	9,410
Unrecognized deferred tax assets	(3,858,854)	(3,442,785)
Net deferred income tax assets	–	–

The Company has approximately \$13,899,315 (2017 – \$12,926,278) 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	955,183
2036	1,278,023
2037	1,672,765
2038	1,023,436
	<u>13,899,315</u>

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion 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.

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17. SUBSEQUENT EVENTS

- (a) On June 19, 2018, the Company entered into a License Agreement with Superior Online Courses, Inc. ("Superior") for the term of five years. The Company agreed to grant Superior a license to sell On-Track products in the international territories of United States and Southeast Asia. Superior is required to pay the Company an initial license fee of USD\$100,000 for a license in the United States and an initial license fee of USD\$50,000 for a license in the counties of Southeast Asia. An additional \$20,000 per country license fee is payable upon commencement of online sales in each of the Southeast Asian countries as specified in the agreement.
- (b) On July 3, 2018 the Company was listed on the Canadian Securities Exchange under the trading symbol "QQ" and on July 13, 2018 the Company was delisted from the TSX Venture Exchange.
- (c) On August 1, 2018, the Company entered into a Facilities Agreement with Pacific International Inc. ("PI") in connection with production of learning videos for its On-Track TV platform. The initial term of the Facilities Agreement is five months and will automatically renew for one-month terms until terminated by either party. The Company will pay PI a monthly fee of \$3,600 in connection with this Facilities Agreement.
- (d) On August 21, 2018, the Company issued 4,200,000 common shares for total consideration of \$252,000.