



QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
FEBRUARY 28, 2021 AND 2020
(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 February 28, 2021 \$	As at May 31, 2020 \$
ASSETS		
Current		
Cash and cash equivalents	290,773	6,435
Accounts receivable	90,277	30,287
Sales taxes recoverable	15,718	21,928
Prepaid expenses and deposits	100,506	35,423
Inventory (Note 3)	119,077	19,139
Total current assets	616,351	113,212
Property and equipment (Note 4)	913,214	887,057
Total assets	1,529,564	1,000,269
LIABILITIES		
Current		
Accounts payable and accrued liabilities	298,023	641,935
Deferred revenue	33,011	13,428
Due to related parties (Note 10)	2,931	263,538
Lease liabilities – Current (Note 17)	317,771	266,842
Loan payable – Current (Note 16)	–	30,000
Total current liabilities	651,735	1,215,743
Lease liabilities – Long-term (Note 17)	515,000	576,307
Loan payable – Long-term (Note 16)	60,000	40,000
Total liabilities	1,226,735	1,832,050
DEFICIENCY		
Share capital (Note 5)	22,965,166	21,083,180
Contributed surplus	3,103,072	2,750,976
Deficit	(25,765,409)	(24,665,937)
Total surplus/(deficiency)	302,830	(831,781)
Total liabilities and deficiency	1,529,564	1,000,269

Nature and continuance of operations (Note 1)

APPROVED ON BEHALF OF THE BOARD ON APRIL 29, 2021

/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)

(Unaudited – Prepared by Management)

	Three Months Ending February 28 2021 \$	Three Months Ending February 29 2020 \$	Nine Months Ending February 28 2021 \$	Nine Months Ending February 29 2020 \$
REVENUES				
Training services and software sales	113,178	100,274	240,629	372,550
Consulting fees	–	–	–	169,693
Retail sales	1,192,761	68,968	2,371,095	76,677
	<u>1,305,939</u>	<u>169,242</u>	<u>2,611,724</u>	<u>618,921</u>
EXPENSES				
Accounting and legal (Note 10)	13,947	9,282	158,104	91,937
Automobile	14,058	5,572	32,500	20,885
Bank charges and finance fees	13,100	24,856	42,665	78,198
Depreciation	54,468	81,580	154,797	264,986
Investor and finance development (Note 10)	68,317	20,837	102,789	72,902
Management fees (Note 10)	36,500	36,000	96,500	108,000
Office and miscellaneous (Note 10)	214,152	39,590	395,557	127,072
On-Track TV development costs (Note 9 and 10)	45,750	6,090	64,000	37,990
Regulatory fees	23,667	10,720	37,735	24,344
Rent	–	34,017	5,995	85,979
Research and development (Note 10)	70,835	2,004	130,510	101,004
Retail inventory (Note 3)	729,395	44,747	1,461,820	50,124
Software development costs (Note 10)	41,750	–	54,000	11,500
Share-based compensation (Note 10)	8191	–	205,083	–
Subcontractors (Note 10)	55,480	72,279	253,595	330,836
Telephone and internet	10,266	5,851	21,608	21,891
Travel and business development (Note 10)	31,403	55,479	124,221	157,883
Wages and benefits (Note 10)	163,451	86,419	369,716	242,531
	<u>1,594,730</u>	<u>535,278</u>	<u>3,711,195</u>	<u>1,828,064</u>
LOSS BEFORE OTHER ITEMS	<u>(288,791)</u>	<u>(366,036)</u>	<u>(1,099,472)</u>	<u>(1,209,143)</u>
OTHER ITEMS				
Interest income	–	–	–	–
Recovery of accrued expenses (Note 13)	–	–	–	111,817
NET LOSS AND COMPREHENSIVE LOSS	<u>(288,791)</u>	<u>(366,036)</u>	<u>(1,099,472)</u>	<u>(1,097,327)</u>
LOSS PER SHARE BASIC AND DILUTED	<u>(0.02)</u>	<u>(0.07)</u>	<u>(0.09)</u>	<u>(0.24)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>15,544,148</u>	<u>5,420,846</u>	<u>12,848,546</u>	<u>4,980,858</u>

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

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Nine Months Ending February 28, 2021 \$	Nine Months Ending February 29, 2020 \$
OPERATING ACTIVITIES		
Net loss	(1,099,472)	(1,097,327)
Add back non-cash items:		
Depreciation	154,797	264,986
Share-based compensation	205,083	–
Recovery of accrued expenses	–	(111,817)
	(739,591)	(944,158)
Changes in non-cash working capital items:		
Accounts receivable	(59,990)	(56,060)
Prepaid expenses and deposits	(65,083)	(2,576)
Sales taxes recoverable	6,210	32,717
Inventory	(99,938)	(7,037)
Accounts payable and accrued liabilities	(343,912)	77,295
Due to related parties	(260,607)	(142,583)
Deferred revenue	19,583	(14,591)
CASH USED IN OPERATING ACTIVITIES	(1,543,329)	(1,056,992)
FINANCING ACTIVITIES		
Repayment of principal portion of lease liability	(125,361)	(89,113)
Issuance of common shares, net	2,029,000	936,629
Share subscriptions received	–	18,000
CASH PROVIDED BY FINANCING ACTIVITIES	1,903,639	865,516
INVESTING ACTIVITIES		
Acquisition of property and equipment	(65,972)	(26,814)
Loan repayments	(10,000)	–
CASH USED IN INVESTING ACTIVITIES	(75,972)	(26,814)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	284,338	(220,350)
CASH AND CASH EQUIVALENTS – BEGINNING	6,435	252,278
CASH AND CASH EQUIVALENTS – ENDING	290,773	31,928
SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–

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QUIZAM MEDIA CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Number of Common Shares	Amount \$	Contributed Surplus \$	Share Subscriptions (Receivable) Received \$	Deficit \$	Total \$
Balance previously reported, May 31, 2019	4,564,344	20,115,171	2,734,356	–	(23,024,585)	(175,058)
IFRS 16 transitional amount (Note 2)	–	–	–	–	36,475	36,475
Units issued for cash	1,316,667	948,000	–	–	–	948,000
Shares subscriptions received	–	–	–	18,000	–	18,000
Share issuance costs	–	(11,371)	–	–	–	(11,371)
Net loss for the year	–	–	–	–	(1,097,327)	(1,097,327)
As at February 29, 2020	5,881,011	21,051,800	2,734,356	18,000	(24,085,437)	(281,281)
As at May 31, 2020	5,947,704	21,083,180	2,750,976	–	(24,665,937)	(831,781)
Units issued for cash	9,610,000	1,999,000	–	–	–	1,999,000
Share issuance costs	–	(147,014)	147,014	–	–	–
Shares issued for exercise of warrants	100,000	30,000	–	–	–	30,000
Share-based compensation	–	–	205,083	–	–	205,083
Net loss for the period	–	–	–	–	(1,099,472)	(1,099,472)
As at February 28, 2021	15,657,704	22,965,166	3,103,073	–	(25,765,409)	302,830

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QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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”. The Company’s shares are also listed on OTC Markets Group (OTCQB) under the symbol “QQQFF”. The Company’s principal business activities consist of providing computer training and consulting services, marketing of a computer based educational program, film production, consulting services and cannabis retail sales. The Company has operated retail cannabis dispensaries since November 2019. 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 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.

The Company’s operations related to in-class training could continue to be significantly adversely affected by the effects of a COVID-19 pandemic. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance and Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with the 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., Quizam Entertainment LLC and Quantum 1 Cannabis Corp. All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, have been eliminated on consolidation.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company’s functional currency.

b) New accounting standards adopted.

IFRS 16 Leases

In January 2016, the IASB published a new standard, IFRS 16, *Leases*, replacing IAS 17, *Leases* and related interpretations. The new standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

most leases, even when cash rentals are constant. Effective June 1, 2019, the Company adopted this standard using the modified retrospective approach under which the cumulative effect of initial application was recognized in retained earnings at June 1, 2019. Prior periods have not been restated for the impact of IFRS 16. Comparative information is still reported under IAS 17 and IFRIC 4. The impact of this change in accounting policy is noted below.

For contracts entered into before June 1, 2019, the Company determined whether the arrangement contained a lease under IAS 17. Prior to the adoption of IFRS 16, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset. The Company leases office space.

On transition, the Company elected to apply the practical expedient to the determination of which contract is or contains a lease and applied IFRS 16 to those contracts that were previously identified as leases. Upon transition to the new standard, right-of-use assets and lease liabilities were measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at June 1, 2019. The non-cash adjustment has been excluded from the Statement of Cash Flows. The weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 7%.

For contracts entered into subsequent to June 1, 2019 at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets is tested for impairment in accordance with IAS 36, *Impairment of Assets*. This replaced the previous requirement to recognize a provision for onerous lease contacts.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of comprehensive loss.

Adoption of IFRS 16 had the following impact on the financial position as at June 1, 2019:

	(As Previously Reported Under IAS 17)		
	May 31, 2019	IFRS 16 Effects	June 1, 2019
	\$	\$	\$
Assets			
Property and equipment	79,210	1,061,175	1,140,385
Total Assets	424,838	1,061,175	1,486,013

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	(As Previously Reported Under IAS 17) May 31, 2019 \$	IFRS 16 Effects \$	June 1, 2019 \$
Liabilities			
Deferred lease inducement	36,475	(36,475)	–
Lease liabilities	–	1,061,175	1,061,175
Total Liabilities	599,986	1,024,700	1,624,596
Deficit	(23,024,585)	36,475	(22,988,110)

COVID-19-Related Rent Concessions (Amendment to IFRS 16)

On May 28, 2020, the IASB issued COVID-19-Related Rent Concessions (Amendments to IFRS 16). The amendments permit lessees, as a practical expedient, to not assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The Company has adopted the amendment to IFRS 16 in its financial statements for all rent concessions beginning on June 01, 2020. For the nine months ended February 28, 2021, the Company recorded \$115,201 of rent concessions (in the form of rent reduction from landlord and CECRA) as a reduction to interest (\$11,766) and depreciation (\$103,435) expenses.

3. INVENTORY

a) Inventory is comprised of the following:

	February 28, 2021 \$	May 31, 2020 \$
Finished goods	119,077	19,139
Less: inventory write-down	–	–
Total inventory (lower of cost and NRV)	119,077	19,139

Inventory expensed in the retail inventory expense for nine months ended February 28, 2021 amounted to \$1,461,820 (2020 – 50,124). The reserve for reserve for impaired inventory is based on management estimates, past experience, condition of the inventory and regulatory changes. During the nine months ended February 28, 2021, the Company wrote-down inventory in the amount of \$Nil (2020 - \$Nil) in relation to slow-moving accessories inventory.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

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3. INVENTORY (continued)

b) Retail Inventory Expense

Retail inventory expense is comprised of the purchase of finished goods sold during the period in the amount of \$1,445,329, directly attributable shipping costs in the amount of \$16,491.

4. PROPERTY AND EQUIPMENT

Cost	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Library	Right-of-use Assets	Total
As at May 31, 2019	\$ 421,661	\$ 101,336	\$ 89,537	\$ 4,755	\$ –	\$ 617,289
IFRS 16 transition	–	–	–	–	1,061,175	1,061,175
Additions	–	8,672	18,242	1,996	–	28,910
As at May 31, 2020	\$ 421,661	\$110,008	\$107,779	\$6,751	\$1,061,175	\$1,707,374
IFRS 16					218,444	218,444
Additions	12,563	31,616	21,792	–	–	65,972
As at February 28, 2021	\$ 434,224	\$ 141,624	\$ 129,571	\$ 6,751	\$1,279,619	\$1,991,790

Accumulated Depreciation

As at May 31, 2019	\$ 401,051	\$ 84,777	\$ 47,496	\$ 4,755	\$ –	\$ 538,079
Depreciation	15,968	5,157	14,418	400	246,295	282,238
As at May 31, 2020	\$417,019	\$89,934	\$61,914	\$5,155	\$246,295	\$820,317
Depreciation	3,943	7,053	14,475	299	232,491	258,261
As at February 28, 2021	\$ 420,962	\$ 96,987	\$ 76,389	\$ 5,454	\$ 478,786	\$ 1,078,578

Carrying Amounts

Balance, May 31, 2019	\$ 20,610	\$ 16,559	\$ 42,041	\$ –	\$ –	\$ 79,210
Balance, May 31, 2020	\$ 4,642	\$ 20,074	\$ 45,865	\$ 1,596	\$ 814,880	\$887,057
Balance, February 28, 2021	\$13,262	\$44,638	\$53,182	\$1,297	\$800,833	\$913,212

5. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common voting shares without par value.

Effective June 1, 2020, the Company completed a 12 to 1 share consolidation. All share and per share amounts have been retroactively restated to reflect the share consolidation.

Transaction during the nine months ended February 28, 2021:

On July 17, 2020, the Company issued 4,475,000 units at a price of \$0.20 per unit for proceeds of \$895,000. Each unit consisted of one common share and one-half share purchase warrant. Each

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. SHARE CAPITAL (continued)

warrant is exercisable for eighteen months at a price of \$0.30 per share. The Company's CEO subscribed for 125,000 units.

On July 29, 2020, the Company issued 1,275,000 units at a price of \$0.20 per unit for proceeds of \$895,000. Each unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable for eighteen months at a price of \$0.30 per share. The Company also agrees to issue 375,000 units of agents' warrants exercisable at \$0.30 per share until January 30, 2022.

On August 05, 2020, the Company issued 2,100,000 units at a price of \$0.20 per unit for settlement of debt of \$420,000.

On December 02, 2020, the Company issued 1,700,000 units at a price of \$0.24 per unit for proceeds of \$408,000. Each unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable for eighteen months at a price of \$0.40 per share. The Company's CEO subscribed for 208,000 units.

On February 01, 2021, the Company issued 60,000 units at a price of \$0.35 per unit for settlement of debt of \$21,000.

During the nine months ended February 28, 2021, the Company issued 100,000 shares upon the exercise of warrants at \$0.30 pr share for gross proceeds of \$30,000.

Transaction the nine months ended February 29, 2020:

On September 20, 2019, the Company issued 4,000,000 units at a price of \$0.06 per unit for proceeds of \$240,000. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable for two years at a price of \$0.15 per share for the first year and \$0.25 per share for the second year.

On October 28, 2019, the Company issued 4,300,000 units at a price of \$0.06 per unit for proceeds of \$258,000. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable for two years at a price of \$0.15 per share for the first year and \$0.25 per share for the second year.

On February 06, 2020, the Company issued 7,500,000 units at a price of \$0.06 per unit for proceeds of \$450,000. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable for two years at a price of \$0.12 per share for the first year and \$0.20 per share for the second year. The company costs \$11,280 as finder's fee. The Company's CEO subscribed for 650,000 units.

As of February 29, 2020, \$18,000 was received in subscriptions for non-brokered private placement occurred after the third quarter, February 29, 2020.

6. STOCK OPTIONS

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 exercise price must not be lower than the greater of the closing market prices of the common shares of the Company on the CSE on (a) the trading day prior to the date of grant of the stock options; and (b) the date of the grant of the stock options. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

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6. STOCK OPTIONS (continued)

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

	Number of Underlying Shares	Weighted Average Exercise Price
Outstanding, May 31, 2019	269,583	\$ 2.88
Granted	–	–
Expired/Cancelled	(112,917)	2.28
Outstanding, May 31, 2020	156,667	\$3.24
Granted	1,396,000	\$0.40
Expired/Cancelled	(152,500)	\$3.28
Outstanding, February 28, 2021	1,400,167	\$ 0.41

All of the options outstanding at February 28, 2021 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as at February 28, 2021 was 1.00 years (May 31, 2020 – 1.46 years).

7. 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, 2019	3,127,923	\$ 2.04
Expired	(166,667)	\$ 6.00
Issued	1,399,000	\$ 1.56
Balance, May 31, 2020	4,360,257	\$ 1.80
Expired	(325,000)	\$ 3.00
Exercised	(100,000)	\$ 0.30
Issued	4,100,000	\$0.32
Balance, February 28, 2021	8,035,257	\$ 1.13

At February 28, 2021, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
708,333	\$1.20	June 01, 2021
350,000	\$1.20	August 22, 2021
364,583	\$2.40	October 22, 2021
345,833	\$2.40	November 5, 2021
375,000	\$2.16	November 21, 2021
83,333	\$2.40	December 06, 2021
409,173	\$1.80	February 26, 2022
333,333	\$3.00	September 16, 2021
358,333	\$3.00	October 29, 2021

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FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

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7. SHARE PURCHASE WARRANTS (continued)

640,667	\$1.44*	February 07, 2022
66,667	\$1.44**	March 05, 2022
2,137,500	\$0.30	January 17, 2022
1,012,500	\$0.30	January 30, 2022
850,000	\$0.40	June 03, 2022
<hr/>		
8,035,257		

* Exercise price increases to \$2.40 per share on February 06, 2021

* Exercise price increase to \$2.40 per share on March 06, 2021

The weighted average remaining contractual life of the warrants outstanding as at February 28, 2021, was 0.82 years (May 31, 2020 – 1.35 years).

8. 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 revenue from two primary industries, Software and Cannabis. Software includes sales from training services, software sales and licensing sales. Cannabis includes retail product sales and consulting fee revenue.

- (a) Training Services and UK On-Track TV sales and expenses for the nine months ended February 28, 2021 and 2020, respectively:

	2021	2020
	\$	\$
Revenue	240,629	372,550
Expenses	(421,797)	(712,175)
Profit (loss)	(181,168)	(339,625)

- (b) Software and Licensing sales and expenses for the nine months ended February 28, 2021 and 2020, respectively:

	2021	2020
	\$	\$
Revenue	–	50,734
Expenses	(73,800)	(60,294)
Profit (loss)	(73,800)	(9,560)

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FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

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8. SEGMENTED INFORMATION (continued)

- (c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the nine months ended February 28, 2021 and 2020, respectively:

	2021	2020
	\$	\$
Retail sales	2,371,095	76,677
Retail inventory	(1,461,820)	(50,124)
Gross profit	909,275	26,553
Consulting revenue	–	169,693
Other expenses	(876,941)	(549,231)
Profit (loss)	32,334	(352,985)

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 USA as follows:

	2021	2020
	\$	\$
Canada	2,611,724	449,228
USA	–	169,693
	2,611,724	618,921

9. PRODUCT DEVELOPMENT COSTS

- (a) On-Track TV

The costs associated with development of the On-Track TV, which are included in expenses for the nine months ended February 28, 2021 and 2020, are as follows:

	2021	2020
	\$	\$
Salary, wages and fees	–	–
Production costs	64,000	50,690
	64,000	50,690

- (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 nine months ended February 28, 2021 and 2020, are as follows:

	2021	2020
	\$	\$
Salary, wages and fees (management, programming and marketing)	38,400	37,650

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

10. 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:

	2021 \$	2020 \$
Management fees	96,500	108,000

For the nine months ended February 28, 2021 and 2020, 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 February 28, 2021, \$2,931 (February 29, 2020 – \$95,663) 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 nine months ended February 28, 2021, an amount of \$851,132 (2020 - \$517,045) 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:

	2021 \$	2020 \$
Accounting and legal	60,850	40,650
Investor and finance development	48,300	21,500
Management fees	96,500	108,000
Office and miscellaneous	204,770	73,536
On-Track TV development costs	64,000	28,935
Research and development	112,500	101,004
Software development costs	59,375	11,500
Subcontractors	50,725	58,180
Business development	99,075	31,275
Wages and benefits	55,036	42,465
	851,132	517,045

11. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of \$26,068,239 at February 28, 2021 (May 31, 2020 – \$23,834,156). 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,

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

11. CAPITAL MANAGEMENT (continued)

retain cannabis operation and to ensure the growth of activities. The Company is not subject to external capital requirements.

12. LINE OF CREDIT

As at February 28, 2021, 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 February 28, 2021 and 2020.

13. LEASE TERMINATIONS

During the year ended May 31, 2019, a supplier to the Company entered into lease agreements in anticipation of opening certain retail locations that required payments in the amount of \$111,817, which were accrued in the financial statements for the year ended May31, 2019. During the year ended May31, 2020, these leases terminated. As a result, no amounts were required to be paid, and the Company recognized a gain of \$111,817 in connection with the reversal of these accruals.

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:

	February 28, 2021 \$	May 31 2020 \$
FVTPL (i)	290,773	6,435
Financial assets at amortized cost (ii)	90,277	30,287
Financial liabilities at amortized cost (iii)	(360,954)	(975,473)

(i) Cash and cash equivalents

(ii) Accounts receivable

(iii) Accounts payable, loan payable 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:

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	Level	February 28, 2021	May 31, 2020 \$
Cash and cash equivalents	1	290,773	6,435

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, 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 February 28, 2021:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable	\$ 90,277	-	-	-	90,277

Liquidity Risk

The Company manages its ability to meet its short-term obligations through the capital management described in Note 11. 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.S., the Company's foreign exchange risk arises with respect to the U.S. dollar. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately Nil% of the Company's revenues are denominated in U.S. dollars (2020 – 24%) while a significant amount of the Company's expenses are denominated in Canadian dollars. Fluctuation of foreign exchange rate between U.S. dollar and Canadian dollar is not considered to have a material impact on the Company's financial statements.

Interest Rate Risk

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

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

15. GOVERNMENT GRANT

Canada Emergency Wage Subsidy (CWES)

The Federal Government of Canada passed legislation, providing Canada Emergency Wage Subsidy on April 11, 2020. CWES is a wage subsidy for eligible Canadian employer whose business has been affected by COVID-19. The CWES helps businesses keep employees on the payroll and encourage employers to re-hire workers previously laid off, and better positions businesses to bounce back following the crisis. The CWES is originally for up to 24 weeks, retroactive from March 15, 2020 to June 6, 2020.

At February 28, 2021, an amount of \$109,965 CEWS (2020 – \$Nil) was credit to wage and benefits in the consolidated statement of operation and comprehensive loss, and an amount of \$103,355 CEWS (2020 – \$0) was received before February 28, 2021 and the remainder was received on April 09, 2021. There are no unfulfilled conditions and outstanding contingencies regarding the CEWS.

Canada Emergency Commercial Rent Assistance (CECRA)

The Federal Government of Canada, in partnership with the provinces and territories, introduced Canada Emergency Commercial Rent Assistance to relief for businesses experiencing financial hardship due to COVID-19 for the months of April to September 2020. Over the course of the program, property owners will reduce rent by at least 75% of the gross rent. CECRA will cover 50% of the rent, with the tenant paying up to 25% and the property owner forgiving at least 25%. The Company's landlord applied CECRA for all eligible tenants in the property.

At February 28, 2021, an amount of \$81,164 CECRA (2020 - \$Nil) was received, of which \$3,865 was GST. The Company has applied the practical expedient of IFRS 16 for lessees in its financial statements for all rent concessions beginning on June 01, 2020. For the nine months ended February 28, 2021, the Company recorded \$77,299 of rent concessions (in the form of rent reduction from landlord and CECRA) as a reduction to interest (\$7,299) and depreciation (\$70,000) expenses.

Canada Emergency Rent Subsidy (CERS)

The Canadian government proposed the new Canada Emergency Rent Subsidy to provide direct relief to businesses, non-profits, and charities that continue to be economically impacted by the COVID-19 pandemic on October 09, 2020. The new rent subsidy would be available from September 27, 2020 to June 2021. The qualifying organizations that have suffered a revenue drop would be eligible for a subsidy on eligible expenses, like rent.

At February 28, 2021, an amount of \$37,902 (2020 - \$Nil) was received. The Company has applied the practical expedient of IFRS 16 for lessees in its financial statements for all rent subsidy beginning on June 01, 2020. For the nine months ended February 28, 2021, the Company recorded \$37,902 of rent subsidy as a reduction to interest (\$4,467) and depreciation (\$33,435) expenses. There are no unfulfilled conditions and outstanding contingencies regarding the CERS.

16. LOANS

Canada Emergency Business Account (CEBA)

CEBA is originally launched on April 09, 2020, to support businesses by providing financing for their expenses that cannot be avoided or deferred as they take steps to safely navigate a period of shutdown

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

16. LOANS (continued)

due to COVID-19. The program provides interest-free loans of up to \$40,000. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25% (up to \$10,000).

The Company obtained the amount of \$60,000 CEBA loan from the Vancouver City Savings Credit Union (Vancity). The loan agreement states that the Company has an option to extend the Credit Facility to a 3 year Term Loan with the interest rate is 5% per annum from January 01, 2023 until December 31, 2025, and the interest rate is 0% prior December 31, 2022. No principal repayments are required until December 31, 2022. The company has a strong intention to repay the loan by end of December 31, 2022.

Short Term Loan from s private investor

The company received a loan of \$30,000 from a private investor at 12% of annual interest rate on April 1, 2020 for supporting general working capital purpose. The loan was settled on July 17, 2020 through issuance of 150,000 units to the investor in the Company's July 2020 private placement. The units consisted of one common share and one-half of a warrant, exercisable at a price of \$0.20 for a period of 18 months. Interest paid is \$300 as at February 28, 2021 (2020 – \$600), and total interest paid for the loan is \$900.

17. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

Lease liabilities consists of leases for office space and storefront locations. The leases have been discounted using a 7% interest rate. Upon adoption of IFRS 16 on June 1, 2019, the Company recorded a lease obligation and corresponding right-of-use asset for \$1,061,175.

Balance at June 1, 2019	\$1,061,175
Interest expense	56,340
Lease payments	(274,366)
<hr/>	
Balance at May 31, 2020	\$ 843,149
Addition	218,444
Interest expense	44,953
Lease payments	(273,776)
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Balance at February 28, 2021	832,770
Less: current portion	(317,771)
<hr/>	
	\$ 515,000

As at February 28, 2021, the balance of the right-of-use asset is as follows:

Balance as at June 1, 2019	\$1,061,175
Depreciation	(246,295)
<hr/>	
Balance at May 31, 2020	\$ 814,880
Addition	218,444
Depreciation	(232,491)
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Balance at February 28, 2021	800,833

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

18. SUBSEQUENT EVENT

On March 23, 2021, the Company issued 2,450,000 units at a price of \$0.33 per unit for proceeds of \$808,500. Each unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable for eighteen months at a price of \$0.60 per share. The Company's CEO subscribed for 163,334 units.

On March 24, 2021, the Company granted incentive stock options to purchase a total 65,000 common shares to its employee and consultant. The option exercised price is \$0.85 per share, which of 20,000 units of option are expired on January 31, 2024 and 45,000 units of option are expired on March 24, 2023.

On March 25, 2021, the Company issued 70,000 unit of shares upon the exercise of 70,000 units of option (granted on August 19, 2020) at \$0.40/unit for gross proceeds of \$28,000.

On March 26, 2021, the Company has received approval from OTC Markets Group Inc. for the shares to be traded on the OTCQB exchange beginning at market open on Monday, March 29, 2021.

On April 14, 2021, the Company issued 7,500 unit of shares upon the exercise of 7,500 units of option (granted on August 19, 2020) at \$0.40/unit for gross proceeds of \$3,000.