



QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
August 31, 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 August 31, 2021 \$	As at May 31, 2021 \$
ASSETS		
Current		
Cash and cash equivalents	443,602	921,534
Accounts receivable	47,670	67,761
Sales taxes recoverable	7,896	4,724
Prepaid expenses and deposits	135,881	84,938
Inventory (Note 3)	137,879	120,835
Total current assets	772,928	1,199,792
Property and equipment (Note 4)	1,394,085	868,226
Total assets	2,167,013	2,068,018
LIABILITIES		
Current		
Accounts payable and accrued liabilities	240,125	382,630
Deferred revenue	36,726	21,833
Due to related parties (Note 10)	20,419	23,606
Lease liabilities – Current (Note 16)	445,171	307,244
Total current liabilities	741,441	735,313
Lease liabilities – Long-term (Note 17)	859,875	455,265
Loan payable – Long-term (Note 15)	60,000	60,000
Total liabilities	1,662,316	1,250,578
EQUITY		
Share capital (Note 5)	24,371,167	24,245,652
Contributed surplus	3,182,498	3,173,032
Deficit	(27,048,968)	(26,601,244)
Total surplus	504,697	817,440
Total liabilities and equity	2,167,013	2,068,018

Nature and continuance of operations (Note 1)

APPROVED ON BEHALF OF THE BOARD ON OCTOBER 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 August 31 2021 \$	Three Months Ending August 31 2020 \$
REVENUES		
Training services and software sales	81,420	54,892
Retail sales	1,523,987	296,967
	1,605,407	351,859
EXPENSES		
Accounting and legal (Note 10)	55,055	51,926
Automobile	7,837	9,700
Bank charges and finance fees	20,392	18,749
Depreciation	93,712	74,313
Investor and finance development (Note 10)	29,156	17,878
Management fees (Note 10)	44,500	24,000
Office and miscellaneous (Note 10)	254,654	43,080
On-Track TV development costs (Note 9 and 10)	31,150	17,400
Regulatory fees	3,429	7,916
Rent	25,806	11,049
Research and development (Note 10)	77,150	80,200
Retail inventory (Note 3)	952,035	186,300
Software development costs (Note 10)	11,500	5,050
Share-based compensation (Note 10)	10,331	196,892
Subcontractors (Note 10)	24,683	114,296
Telephone and internet	6,883	6,020
Travel and business development (Note 10)	206,175	26,373
Wages and benefits (Note 10)	205,851	61,168
	2,060,299	952,311
LOSS BEFORE OTHER ITEMS	(454,892)	(600,452)
OTHER ITEMS		
Other income	7,168	–
NET LOSS AND COMPREHENSIVE LOSS	(447,724)	(600,452)
LOSS PER SHARE BASIC AND DILUTED	(0.02)	(0.06)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	18,366,986	9,272,704

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)

	Three Months Ending August 31, 2021 \$	Three Months Ending August 31, 2020 \$
OPERATING ACTIVITIES		
Net loss	(447,724)	(600,452)
Add back non-cash items:		
Depreciation	93,712	74,313
Share-based compensation	10,331	196,892
Lease interest expense	19,422	13,948
	(324,259)	(315,298)
Changes in non-cash working capital items:		
Accounts receivable	20,091	(86,550)
Prepaid expenses and deposits	(50,943)	(3,890)
Sales taxes recoverable	(3,172)	10,756
Inventory	(17,044)	(75,089)
Accounts payable and accrued liabilities	(121,505)	(478,814)
Due to related parties	(3,187)	(131,821)
Deferred revenue	14,893	59,862
CASH USED IN OPERATING ACTIVITIES	(485,126)	(1,020,844)
FINANCING ACTIVITIES		
Issuance of common shares, net	103,650	1,570,000
Loan repayments	–	(30,000)
Lease payments	(72,109)	(44,450)
CASH PROVIDED BY FINANCING ACTIVITIES	31,541	1,495,550
INVESTING ACTIVITIES		
Acquisition of property and equipment	(24,347)	(34,416)
CASH USED IN INVESTING ACTIVITIES	(24,347)	(34,416)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(477,932)	(440,287)
CASH AND CASH EQUIVALENTS – BEGINNING	921,534	6,435
CASH AND CASH EQUIVALENTS – ENDING	443,602	446,722
SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–

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QUIZAM MEDIA CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED AUGUST 31, 2021 AND 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Number of Common Shares	Amount \$	Contributed Surplus \$	Deficit \$	Total \$
May 31, 2020	5,947,704	21,083,180	2,750,976	(24,665,937)	(831,781)
Units issued for cash	7,850,000	1,570,000	–	–	1,570,000
Share issuance costs	–	(147,014)	147,014	–	–
Share-based compensation			196,892		196,892
Net loss for the period	–	–	–	(600,452)	(600,452)
As at August 31, 2021	13,797,704	22,506,166	3,094,882	(25,266,278)	334,659
As at May 31, 2021	18,213,971	24,245,652	3,173,032	(26,601,244)	817,440
Share issued for exercise of warrants	337,500	101,250	–	–	101,250
Share issued for exercise of options	6,000	3,265	(865)	–	2,400
Share issued for debt	42,424	21,000			21,000
Share-based compensation			10,331		11,721
Net loss for the period	–	–	–	(447,724)	(447,724)
As at August 31, 2021	18,599,895	24,371,167	3,182,498	(27,048,968)	504,697

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

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 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 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

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.

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3. INVENTORY

a) Inventory is comprised of the following:

	August 31, 2021 \$	August 31, 2020 \$
Finished goods	137,879	94,228
Less: inventory write-down	–	–
Total inventory (lower of cost and NRV)	137,879	94,228

Inventory expensed in the retail inventory expense for three months ended August 31, 2021 amounted to \$952,035 (2020 - \$186,300). The reserve for impaired inventory is based on management estimates, past experience, condition of the inventory and regulatory changes. During the three months ended August 31, 2021, the Company wrote-down inventory in the amount of \$Nil (2020 - \$Nil) in relation to slow-moving accessories inventory.

4. PROPERTY AND EQUIPMENT

Cost	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Library	Right-of-use Assets	Total
As at May 31, 2020	\$ 421,661	\$ 110,008	\$107,779	\$6,751	\$1,061,175	\$1,707,374
Additions	12,563	47,646	21,792	–	249,519	331,520
As at May 31, 2021	\$ 434,224	\$157,654	\$129,571	\$6,751	\$1,310,691	\$2,038,894
Additions	–	7,078	17,270	–	619,356	643,704
As at August 31, 2021	\$ 434,224	\$ 164,732	\$ 146,841	\$ 6,751	\$1,930,047	\$2,682,598

Accumulated Depreciation

As at May 31, 2020	\$ 417,019	\$ 89,934	\$ 61,914	\$ 5,155	\$ 246,295	\$ 820,317
Depreciation	5,475	10,455	19,723	399	314,299	350,351
As at May 31, 2021	\$422,494	\$100,389	\$81,637	\$5,554	\$560,592	\$1,170,668
Depreciation	1,486	3,963	5,740	99	106,556 ^a	117,844
As at August 31, 2021	\$ 423,980	\$ 104,352	\$ 87,377	\$ 5,653	\$ 667,148	\$ 1,288,512

Carrying Amounts

Balance, May 31, 2021	\$ 11,730	\$ 57,265	\$ 47,934	\$ 1,197	\$ 750,100	\$868,226
Balance, August 31, 2021	\$10,244	\$60,380	\$59,464	\$1,098	\$1,262,899	\$1,394,085

^a Total depreciation expense for the period was \$106,556 which is presented net of a \$24,132 rental subsidy for a net depreciation expense of \$93,712 in the consolidated statement of operations and comprehensive loss

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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 three months ended August 31, 2021:

On June 25, 2021, the Company issued 6,000 shares upon the exercise of options at \$0.40 per share for gross proceeds of \$2,400.

On July 25, 2021, the Company issued 337,500 shares upon the exercise of warrants at \$0.30 per share for gross proceeds of \$101,250.

On August 3, 2021, the Company issued 42,424 shares at a price of \$0.495 per share for settlement of debt of \$21,000.

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.

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

	Number of Underlying Shares	Weighted Average Exercise Price
Outstanding, May 31, 2020	156,667	\$ 3.24
Granted	1,461,000	\$0.42
Exercised	(77,500)	\$0.40
Expired/Cancelled	(152,500)	\$0.27
Outstanding, May 31, 2021	1,387,667	\$0.43
Granted	45,000	\$0.45
Exercised	(6,000)	\$0.40
Expired/Cancelled	–	
Outstanding, August 31, 2021	1,426,667	\$ 0.43

All of the options outstanding at August 31, 2021 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as at August 31, 2021 was 0.60 years (May 31, 2021 – 0.81years).

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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, 2020	4,360,257	\$ 1.80
Expired	(325,000)	\$ 0.25
Exercised	(100,000)	\$ 0.30
Issued	5,325,000	\$ 0.38
Balance, May 31, 2021	9,260,257	\$ 0.19
Exercised	(337,500)	\$ 0.30
Expired	(1,058,334)	\$ 0.10
Balance, August 31, 2021	7,864,423	\$ 0.20

At August 31, 2021, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
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	\$1.80	September 16, 2021*
358,333	\$1.80	October 29, 2021
640,667	\$1.44	February 07, 2022
66,667	\$1.44	March 05, 2022
1,800,000	\$0.30	January 17, 2022
1,012,500	\$0.30	January 30, 2022
850,000	\$0.40	June 03, 2022
1,225,000	\$0.60	September 26, 2022
7,864,422		

* subsequently expired in full without exercise

The weighted average remaining contractual life of the warrants outstanding as at August 31, 2021, was 0.49 years (May 31, 2021 – 0.69 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.

QUIZAM MEDIA CORPORATION
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8. SEGMENTED INFORMATION (continued)

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 three months ended August 31, 2021 and 2020, respectively:

	2021	2020
	\$	\$
Revenue	81,420	54,892
Expenses	(80,350)	(102,712)
Profit (loss)	1,070	(47,820)

- (b) Software and Licensing sales and expenses for the three months ended August 31, 2021 and 2020, respectively:

	2021	2020
	\$	\$
Revenue	–	–
Expenses	(20,750)	(17,050)
Profit (loss)	(20,750)	(17,050)

- (c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the three months ended August 31, 2021 and 2020, respectively:

	2021	2020
	\$	\$
Retail sales	1,523,987	296,967
Cost of goods sold	(952,035)	(186,300)
Gross profit	571,952	110,667
Consulting revenue	–	–
Other expenses	(589,145)	(265,149)
Profit (loss)	(17,193)	(154,482)

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	1,605,407	351,859
USA	–	–
	1,605,407	351,859

QUIZAM MEDIA CORPORATION
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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 three months ended August 31, 2021 and 2020, are as follows:

	2021	2020
	\$	\$
Salary, wages and fees	–	–
Production costs	11,500	17,400
	<u>11,500</u>	<u>17,400</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 three months ended August 31, 2021 and 2020, are as follows:

	2021	2020
	\$	\$
Salary, wages and fees (management, programming and marketing)	–	8,350
Software development costs	20,750	–
	<u>20,750</u>	<u>–</u>

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	44,500	24,000

For the three months ended August 31, 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 August 31, 2021, \$20,419 (May 31, 2021 – \$23,606) 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.

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

(Unaudited – Prepared by Management)

10. RELATED PARTY TRANSACTIONS (continued)

(c) Related party transactions

During the three months ended August 31, 2021, an amount of \$362,452 (2020 - \$224,952) 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	47,200	27,650
Investor and finance development	20,050	12,150
Management fees	44,500	24,000
Office and miscellaneous	96,950	40,192
On-Track TV development costs	31,150	15,250
Research and development	51,950	33,950
Software development costs	17,150	5,050
Subcontractors	23,250	16,800
Travel and business development	21,150	34,100
Wages and benefits	9,102	15,810
	362,452	224,952

11. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of \$27,553,665 at August 31, 2021. 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, 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 August 31, 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 August 31, 2021 and 2020.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2021 AND 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

13. 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:

	August 31, 2021 \$	May 31 2021 \$
FVTPL (i)	443,602	921,534
Financial assets at amortized cost (ii)	47,670	10,938
Financial liabilities at amortized cost (iii)	(320,544)	(466,236)

- (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:

	Level	August 31, 2021 \$	May 31, 2021 \$
Cash and cash equivalents	1	443,602	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.

QUIZAM MEDIA CORPORATION
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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 August 31, 2021:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable	\$ 47,670	-	-	-	47,670

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 – nil%) 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.

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14. GOVERNMENT GRANT

Canada Emergency Wage Subsidy (CEWS)

The Federal Government of Canada passed legislation, providing Canada Emergency Wage Subsidy on April 11, 2020. CEWS 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.

At August 31, 2021, an amount of \$173,553 CEWS (2020 – \$71,997) was credit to wage and benefits in the consolidated statement of operation and comprehensive loss, and an amount of \$173,553 CEWS (2020 – \$56,073) was received before August 31, 2021. There are no unfulfilled conditions and outstanding contingencies regarding the CEWS

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 August 31, 2021, an amount of \$74,992 (2020 - \$67,405) 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. At August 31, 2021, the Company recorded \$88,095 of rent subsidy as a reduction to interest (\$9,524) and depreciation (\$78,571) expenses. There are no unfulfilled conditions and outstanding contingencies regarding the CERS.

15. 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 due to COVID-19. The program provides interest-free loans of up to \$60,000. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25% (up to \$20,000).

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.

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(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

16. 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.

Balance at May 31, 2020	\$ 843,149
Interest expense	60,031
Lease payments	(269,490)
Addition	249,519
Less: rental subsidy	(120,697)
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Balance at May 31, 2021	762,511
Addition	619,356
Interest expense	19,422
Lease payments	(96,243)
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Balance at Aug 31, 2021	1,305,046
Less: current portion	(445,171)
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	\$ 859,875

As at August 31, 2021, the balance of the right-of-use asset is as follows:

Balance at May 31, 2020	\$ 814,880
Addition	249,519
Depreciation	(314,299)
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Balance at May 31, 2021	750,100
Addition	619,356
Depreciation	(106,556)
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Balance at August 31, 2021	1,262,900

17. SUBSEQUENT EVENT

On October 29, 2021, the Company issued 2,000,000 units at a price of \$0.20 per unit for proceeds of \$400,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable for eighteen months at a price of \$0.40 per share.