



**QUIZAM MEDIA CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED**  
**February 28, 2022 AND 2021**  
**(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<br>February 28,<br>2022<br>\$ | As at<br>May 31,<br>2021<br>\$ |
|------------------------------------------|-------------------------------------|--------------------------------|
| <b>ASSETS</b>                            |                                     |                                |
| Current                                  |                                     |                                |
| Cash and cash equivalents                | 251,633                             | 921,534                        |
| Accounts receivable                      | 18,709                              | 67,761                         |
| Sales taxes recoverable                  | 9,357                               | 4,724                          |
| Prepaid expenses and deposits            | 80,591                              | 84,938                         |
| Inventory (Note 3)                       | 235,963                             | 120,835                        |
| <b>Total current assets</b>              | <b>596,253</b>                      | <b>1,199,792</b>               |
| Property and equipment (Note 4)          | 1,054,316                           | 868,226                        |
| <b>Total assets</b>                      | <b>1,650,569</b>                    | <b>2,068,018</b>               |
| <b>LIABILITIES</b>                       |                                     |                                |
| Current                                  |                                     |                                |
| Accounts payable and accrued liabilities | 393,477                             | 382,630                        |
| Deferred revenue                         | 32,009                              | 21,833                         |
| Due to related parties (Note 10)         | 26,767                              | 23,606                         |
| Lease liabilities – Current (Note 16)    | 275,640                             | 307,244                        |
| <b>Total current liabilities</b>         | <b>727,893</b>                      | <b>735,313</b>                 |
| Lease liabilities – Long-term (Note 16)  | 666,751                             | 455,265                        |
| Loan payable – Long-term (Note 15)       | 60,000                              | 60,000                         |
| <b>Total liabilities</b>                 | <b>1,454,644</b>                    | <b>1,250,578</b>               |
| <b>EQUITY</b>                            |                                     |                                |
| Share capital (Note 5)                   | 25,313,167                          | 24,245,652                     |
| Share subscriptions receivable           | –                                   | –                              |
| Contributed surplus                      | 3,278,463                           | 3,173,032                      |
| Deficit                                  | (28,395,705)                        | (26,601,244)                   |
| <b>Total equity</b>                      | <b>195,925</b>                      | <b>817,440</b>                 |
| <b>Total liabilities and equity</b>      | <b>1,650,569</b>                    | <b>2,068,018</b>               |

Nature and continuance of operations (Note 1)

Commitment (Note 17)

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<br>Months<br>Ending<br>February<br>28<br>2022<br>\$ | Three<br>Months<br>Ending<br>February<br>28<br>2021<br>\$ | Nine<br>Months<br>Ending<br>February<br>28<br>2022<br>\$ | Nine<br>Months<br>Ending<br>February<br>28<br>2021<br>\$ |
|----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| <b>REVENUES</b>                                          |                                                           |                                                           |                                                          |                                                          |
| Training services and software sales                     | 147,328                                                   | 113,178                                                   | 324,574                                                  | 240,629                                                  |
| Consulting fees                                          | –                                                         | –                                                         | –                                                        | –                                                        |
| Retail sales                                             | 1,599,709                                                 | 1,192,761                                                 | 4,626,799                                                | 2,371,095                                                |
|                                                          | <u>1,747,037</u>                                          | <u>1,305,939</u>                                          | <u>4,951,373</u>                                         | <u>2,611,724</u>                                         |
| <b>EXPENSES</b>                                          |                                                           |                                                           |                                                          |                                                          |
| Accounting and legal (Note 10)                           | 39,266                                                    | 13,947                                                    | 208,310                                                  | 158,104                                                  |
| Automobile                                               | 13,452                                                    | 14,058                                                    | 30,230                                                   | 32,500                                                   |
| Bank charges and finance fees                            | 23,585                                                    | 13,100                                                    | 66,909                                                   | 42,665                                                   |
| Depreciation                                             | 121,166                                                   | 54,468                                                    | 334,661                                                  | 154,797                                                  |
| Investor and finance development (Note 10)               | 79,168                                                    | 68,317                                                    | 159,479                                                  | 102,789                                                  |
| Management fees (Note 10)                                | 63,200                                                    | 36,500                                                    | 163,700                                                  | 96,500                                                   |
| Office and miscellaneous (Note 10 and 17)                | 581,808                                                   | 214,152                                                   | 1,089,360                                                | 395,558                                                  |
| On-Track TV development costs (Note 9 and 10)            | 27,850                                                    | 45,750                                                    | 80,050                                                   | 64,000                                                   |
| Regulatory fees                                          | 3,972                                                     | 23,667                                                    | 13,863                                                   | 37,735                                                   |
| Rent                                                     | 17,641                                                    | –                                                         | 69,170                                                   | 5,995                                                    |
| Research and development (Note 10)                       | 60,494                                                    | 70,835                                                    | 201,200                                                  | 130,510                                                  |
| Retail inventory (Note 3)                                | 992,255                                                   | 729,395                                                   | 2,880,888                                                | 1,461,820                                                |
| Software development costs (Note 10)                     | 63,275                                                    | 41,750                                                    | 77,275                                                   | 54,000                                                   |
| Share-based compensation (Note 10)                       | 95,965                                                    | 8,191                                                     | 106,296                                                  | 205,083                                                  |
| Subcontractors (Note 10)                                 | 54,125                                                    | 55,480                                                    | 125,027                                                  | 253,595                                                  |
| Telephone and internet                                   | 7,323                                                     | 10,266                                                    | 21,819                                                   | 21,608                                                   |
| Travel and business development (Note 10 and 18)         | 59,745                                                    | 31,403                                                    | 385,202                                                  | 124,221                                                  |
| Wages and benefits (Note 10)                             | 247,596                                                   | 163,451                                                   | 676,628                                                  | 369,716                                                  |
| Loss from termination of leases                          | 66,039                                                    | 0                                                         | 66,039                                                   | 0                                                        |
|                                                          | <u>2,617,925</u>                                          | <u>1,594,730</u>                                          | <u>6,756,106</u>                                         | <u>3,711,196</u>                                         |
| <b>LOSS BEFORE OTHER ITEMS</b>                           | <b>(870,888)</b>                                          | <b>(288,791)</b>                                          | <b>(1,804,733)</b>                                       | <b>(1,099,472)</b>                                       |
| <b>OTHER ITEMS</b>                                       |                                                           |                                                           |                                                          |                                                          |
| Other income                                             | –                                                         | –                                                         | 10,272                                                   | –                                                        |
| <b>NET LOSS AND COMPREHENSIVE LOSS</b>                   | <b>(870,888)</b>                                          | <b>(288,791)</b>                                          | <b>(1,794,461)</b>                                       | <b>(1,099,472)</b>                                       |
| <b>LOSS PER SHARE BASIC AND DILUTED</b>                  | <b>(0.04)</b>                                             | <b>(0.02)</b>                                             | <b>(0.09)</b>                                            | <b>(0.09)</b>                                            |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES<br/>OUTSTANDING</b> | <b>21,907,904</b>                                         | <b>15,544,148</b>                                         | <b>19,854,357</b>                                        | <b>12,848,546</b>                                        |

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

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

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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|                                                         | Nine Months<br>Ending<br>February 28,<br>2022<br>\$ | Nine Months<br>Ending<br>February 28,<br>2021<br>\$ |
|---------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| <b>OPERATING ACTIVITIES</b>                             |                                                     |                                                     |
| Net loss                                                | (1,794,461)                                         | (1,099,472)                                         |
| Add back non-cash items:                                |                                                     |                                                     |
| Depreciation                                            | 334,661                                             | 154,797                                             |
| Share-based compensation                                | 88,256                                              | 205,083                                             |
| Lease interest expenses                                 | 62,810                                              | –                                                   |
| Loss from termination of leases                         | 66,039                                              | –                                                   |
|                                                         | (1,224,668)                                         | (739,591)                                           |
| Changes in non-cash working capital items:              |                                                     |                                                     |
| Accounts receivable                                     | 49,052                                              | (59,990)                                            |
| Prepaid expenses and deposits                           | 4,347                                               | (65,083)                                            |
| Sales taxes recoverable                                 | (633)                                               | 6,210                                               |
| Inventory                                               | (115,128)                                           | (99,938)                                            |
| Accounts payable and accrued liabilities                | 89,847                                              | (343,912)                                           |
| Due to related parties                                  | 3,161                                               | (260,607)                                           |
| Deferred revenue                                        | 10,176                                              | 19,583                                              |
| <b>CASH USED IN OPERATING ACTIVITIES</b>                | <b>(1,183,846)</b>                                  | <b>(1,543,329)</b>                                  |
| <b>FINANCING ACTIVITIES</b>                             |                                                     |                                                     |
| Repayment of principal portion of lease liability       | (285,570)                                           | (125,361)                                           |
| Issuance of common shares, net                          | 903,650                                             | 2,029,000                                           |
| <b>CASH PROVIDED BY FINANCING ACTIVITIES</b>            | <b>618,080</b>                                      | <b>1,903,639</b>                                    |
| <b>INVESTING ACTIVITIES</b>                             |                                                     |                                                     |
| Acquisition of property and equipment                   | (104,135)                                           | (65,972)                                            |
| Loan repayments                                         | –                                                   | (10,000)                                            |
| <b>CASH USED IN INVESTING ACTIVITIES</b>                | <b>(104,135)</b>                                    | <b>(75,972)</b>                                     |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>(669,901)</b>                                    | <b>284,338</b>                                      |
| <b>CASH AND CASH EQUIVALENTS – BEGINNING</b>            | <b>921,534</b>                                      | <b>6,435</b>                                        |
| <b>CASH AND CASH EQUIVALENTS – ENDING</b>               | <b>251,663</b>                                      | <b>290,773</b>                                      |
| <b>SUPPLEMENTAL INFORMATION</b>                         |                                                     |                                                     |
| Interest paid                                           | –                                                   | –                                                   |
| Income tax paid                                         | –                                                   | –                                                   |

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**QUIZAM MEDIA CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

|                                        | Number of<br>Common<br>Shares | Amount<br>\$      | Contributed<br>Surplus<br>\$ | Deficit<br>\$       | Total<br>\$      |
|----------------------------------------|-------------------------------|-------------------|------------------------------|---------------------|------------------|
| <b>May 31, 2020</b>                    | <b>5,947,704</b>              | <b>21,083,180</b> | <b>2,750,976</b>             | <b>(24,665,937)</b> | <b>(831,781)</b> |
| 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                      | –                   | 205,703          |
| Net loss for the period                | –                             | –                 | –                            | (1,099,472)         | (1,099,472)      |
| <b>As at February 28, 2021</b>         | <b>15,657,704</b>             | <b>22,965,166</b> | <b>3,103,073</b>             | <b>(25,765,409)</b> | <b>302,830</b>   |
| <b>As at May 31, 2021</b>              | <b>18,213,971</b>             | <b>24,245,652</b> | <b>3,173,032</b>             | <b>(26,601,244)</b> | <b>817,440</b>   |
| Units issued for cash                  | 6,000,000                     | 800,000           | –                            | –                   | 800,000          |
| 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                  | 677,783                       | 163,000           | –                            | –                   | 163,000          |
| Share-based compensation               | –                             | –                 | 106,296                      | –                   | 106,296          |
| Net loss for the period                | –                             | –                 | –                            | (1,794,461)         | (1,794,461)      |
| <b>As at February 28, 2022</b>         | <b>25,277,678</b>             | <b>25,313,167</b> | <b>3,278,463</b>             | <b>(28,395,705)</b> | <b>195,925</b>   |

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**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021**

(Expressed in Canadian dollars)

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**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.

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021**

(Expressed in Canadian dollars)

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**3. INVENTORY**

Inventory is comprised of the following:

|                                                | February 28,<br>2022<br>\$ | February 28,<br>2021<br>\$ |
|------------------------------------------------|----------------------------|----------------------------|
| Finished goods                                 | 238,461                    | 119,077                    |
| Less: inventory write-down                     | (2,498)                    | –                          |
| <b>Total inventory (lower of cost and NRV)</b> | <b>235,963</b>             | <b>119,077</b>             |

Inventory expensed in the retail inventory expense for nine months ended February 28, 2022 amounted to \$992,255 (2021 – \$1,461,820). The reserve for impaired inventory is based on management estimates, past experience, condition of the inventory and regulatory changes.

**4. PROPERTY AND EQUIPMENT**

| <b>Cost</b>                    | <b>Computer<br/>Hardware</b> | <b>Furniture and<br/>Fixtures</b> | <b>Leasehold<br/>Improvements</b> | <b>Library</b>  | <b>Right-of-use<br/>Assets</b> | <b>Total</b>        |
|--------------------------------|------------------------------|-----------------------------------|-----------------------------------|-----------------|--------------------------------|---------------------|
| 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        | \$ 1,310,694                   | \$ 2,038,894        |
| Additions                      | 2,389                        | 25,281                            | 33,989                            | –               | 791,609                        | 853,268             |
| Lease terminations             | –                            | –                                 | –                                 | –               | (449,878)                      | (449,878)           |
| <b>As at February 28, 2022</b> | <b>\$ 436,613</b>            | <b>\$ 182,935</b>                 | <b>\$ 163,560</b>                 | <b>\$ 6,751</b> | <b>\$ 1,652,425</b>            | <b>\$ 2,442,284</b> |

**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             |
|                                |                   |                   |                   |                 | \$ 560,594        |                     |
| As at May 31, 2021             | \$ 422,494        | \$ 100,389        | \$ 81,637         | \$ 5,554        |                   | \$ 1,170,668        |
| Depreciation                   | 4,355             | 14,183            | 19,306            | 299             | 324,486           | 362,629             |
| Lease terminations             | –                 | –                 | –                 | –               | (145,329)         | (145,329)           |
| <b>As at February 28, 2022</b> | <b>\$ 426,849</b> | <b>\$ 114,572</b> | <b>\$ 100,943</b> | <b>\$ 5,853</b> | <b>\$ 739,751</b> | <b>\$ 1,387,968</b> |

**Carrying Amounts**

|                                   |                  |                  |                  |                 |                   |                     |
|-----------------------------------|------------------|------------------|------------------|-----------------|-------------------|---------------------|
| <b>Balance, May 31, 2021</b>      | <b>\$ 11,730</b> | <b>\$ 57,265</b> | <b>\$ 47,934</b> | <b>\$ 1,197</b> | <b>\$ 750,100</b> | <b>\$ 868,226</b>   |
| <b>Balance, February 28, 2022</b> | <b>\$ 9,764</b>  | <b>\$ 68,363</b> | <b>\$ 62,617</b> | <b>\$ 898</b>   | <b>\$ 912,674</b> | <b>\$ 1,054,316</b> |

<sup>a</sup> Total depreciation expense for the period was \$324,486 which is presented net of a \$27,968 rental subsidy for a net depreciation expense of \$334,661 in the consolidated statement of operations and comprehensive loss

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021**

(Expressed in Canadian dollars)

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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 nine months ended February 28, 2022:*

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.

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.

On November 01, 2021, the Company issued 75,000 shares at a price of \$0.28 per share for settlement of debt of \$21,000.

On December 20, 2021, the Company issued 434,783 shares at a price of \$0.23 per share for settlement of debt of \$100,000.

On February 01, 2022, the Company issued 168,000 shares at a price of \$0.125 per share for settlement of debt of \$21,000.

On February 09, 2022, the Company issued 4,000,000 units at a price of \$0.10 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 \$0.25 per share.

**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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**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021**

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**6. STOCK OPTIONS (continued)**

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

|                                | Number of<br>Underlying Shares | Weighted Average<br>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                        | 1,495,000                      | \$0.26                             |
| Exercised                      | (6,000)                        | \$0.40                             |
| Expired/Cancelled              | (1,286,667)                    | \$0.40                             |
| Outstanding, February 28, 2022 | 1,590,000                      | \$0.28                             |

All of the options outstanding at February 28, 2022 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as at February 28, 2022 was 1.93 years (May 31, 2021 – 0.81 years).

**7. SHARE PURCHASE WARRANTS**

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

|                            | Number of<br>Underlying Shares | Weighted Average<br>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                    | (6,781,090)                    | \$2.07                             |
| Issued                     | 3,000,000                      | \$0.30                             |
| Balance, February 28, 2022 | 5,141,667                      | \$0.40                             |

At February 28, 2022, the following share purchase warrants were outstanding:

| Number of Warrants | Exercise Price | Expiry Date        |
|--------------------|----------------|--------------------|
| 66,667             | \$1.44         | March 05, 2022*    |
| 850,000            | \$0.40         | June 03, 2022      |
| 1,225,000          | \$0.60         | September 26, 2022 |
| 1,000,000          | \$0.40         | May 01, 2023       |
| 2,000,000          | \$0.25         | February 09, 2024  |
| 5,141,667          |                |                    |

\* subsequently expired in full without exercise

The weighted average remaining contractual life of the warrants outstanding as at February 28, 2022, was 1.16 years (May 31, 2021 – 0.69 years).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021**

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**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, 2022 and 2021, respectively:

|               | 2022      | 2021      |
|---------------|-----------|-----------|
|               | \$        | \$        |
| Revenue       | 324,574   | 240,629   |
| Expenses      | (180,200) | (421,797) |
| Profit (loss) | 144,374   | (181,168) |

- (b) Software and Licensing sales and expenses for the nine months ended February 28, 2022 and 2021, respectively:

|          | 2022     | 2021     |
|----------|----------|----------|
|          | \$       | \$       |
| Revenue  | –        | –        |
| Expenses | (60,308) | (73,800) |
| Loss     | (60,308) | (73,800) |

- (c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the nine months ended February 28, 2022 and 2021, respectively:

|                    | 2022        | 2021        |
|--------------------|-------------|-------------|
|                    | \$          | \$          |
| Retail sales       | 4,626,799   | 2,371,095   |
| Retail inventory   | (2,880,888) | (1,461,820) |
| Gross profit       | 1,745,911   | 909,275     |
| Consulting revenue | –           | –           |
| Other expenses     | (297,134)   | (876,941)   |
| Profit             | 1,448,777   | 32,334      |

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:

|        | 2022      | 2021      |
|--------|-----------|-----------|
|        | \$        | \$        |
| Canada | 4,951,373 | 2,611,724 |
| USA    | –         | –         |
|        | 4,951,373 | 2,611,724 |

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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 nine months ended February 28, 2022 and 2021, are as follows:

|                        | 2022          | 2021          |
|------------------------|---------------|---------------|
|                        | \$            | \$            |
| Salary, wages and fees | –             | –             |
| Production costs       | 80,050        | 64,000        |
|                        | <u>80,050</u> | <u>64,000</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 nine months ended February 28, 2022 and 2021, are as follows:

|                                                                | 2022   | 2021   |
|----------------------------------------------------------------|--------|--------|
|                                                                | \$     | \$     |
| Salary, wages and fees (management, programming and marketing) | –      | 38,400 |
| Software development costs                                     | 77,275 | –      |

**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 for the nine months ended February 28, 2022 and 2021 are summarized as follows:

|                 | 2022    | 2021   |
|-----------------|---------|--------|
|                 | \$      | \$     |
| Management fees | 163,700 | 96,500 |

For the nine months ended February 28, 2022 and 2021, 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, 2022, \$26,767 (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.

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**10. RELATED PARTY TRANSACTIONS (continued)**

**(c) Related party transactions**

During the nine months ended February 28, 2022, an amount of \$1,252,587 (2021 - \$851,132) 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:

|                                   | 2022<br>\$ | 2021<br>\$ |
|-----------------------------------|------------|------------|
| Accounting and legal              | 121,100    | 60,850     |
| Investor and finance development  | 87,700     | 48,300     |
| Management fees                   | 163,700    | 96,500     |
| Office and miscellaneous          | 234,560    | 204,770    |
| On-Track TV development costs     | 80,050     | 64,000     |
| Research and development          | 187,600    | 112,500    |
| Software development costs        | 28,850     | 59,375     |
| Subcontractors                    | 130,600    | 50,725     |
| Business development              | 110,900    | 99,075     |
| Wages and benefits                | 27,527     | 55,036     |
| Gain/loss on termination of lease | 80,000     | –          |
|                                   | 1,252,587  | 851,132    |

**11. CAPITAL MANAGEMENT**

The Company's capital currently consists of common shares, options and warrants for a total amount of \$28,591,630 at February 28, 2022 (May 31, 2021 – \$27,418,684). 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 February 28, 2022, 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, 2022.

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**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:

|                                               | February 28,<br>2022<br>\$ | May 31<br>2021<br>\$ |
|-----------------------------------------------|----------------------------|----------------------|
| FVTPL (i)                                     | 251,633                    | 921,534              |
| Financial assets at amortized cost (ii)       | 18,709                     | 67,761               |
| Financial liabilities at amortized cost (iii) | (480,244)                  | (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 | February 28,<br>2022<br>\$ | May 31,<br>2021<br>\$ |
|---------------------------|-------|----------------------------|-----------------------|
| Cash and cash equivalents | 1     | 251,633                    | 921,534               |

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.

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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 February 28, 2022:

|                           | Neither past due<br>nor impaired | 31-60 days | 61-90 days | 91 days<br>and over | Carrying value |
|---------------------------|----------------------------------|------------|------------|---------------------|----------------|
| Trade accounts receivable | \$ 18,709                        | -          | -          | -                   | 18,709         |

*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 (2021 – 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. 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.

At February 28, 2022, an amount of \$44,615 CEWS (2021 – \$109,965) was credit to wage and benefits in the consolidated statement of operation and comprehensive loss, and an amount of \$44,615 CEWS (2021 – \$103,355) was received before February 28, 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 Nov 2021. The qualifying organizations that have suffered a revenue drop would be eligible for a subsidy on eligible expenses, like rent.

At February 28, 2022, an amount of \$79,124 (2021 - \$81,164) 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.

**15. LOANS**

*Canada Emergency Business Account (CEBA)*

CEBA is originally launched on April 9, 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). On January 12, 2022, the Government of Canada extended the loan forgiveness deadline from December 31, 2022 to December 31, 2023.

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, 2023. No principal repayments are required until December 31, 2023.

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**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 |
| Addition                     | 249,516    |
| Interest expense             | 60,031     |
| Lease payments               | (269,490)  |
| Less: rental subsidy         | (120,697)  |
| <hr/>                        |            |
| Balance at May 31, 2021      | \$ 762,509 |
| Addition                     | 783,962    |
| Interest expense             | 62,797     |
| Lease payments               | (348,367)  |
| Lease terminations           | (318,510)  |
| <hr/>                        |            |
| Balance at February 28, 2022 | \$ 942,391 |
| Less: current portion        | (275,640)  |
| <hr/>                        |            |
|                              | \$ 666,751 |

As at February 28, 2022, the balance of the right-of-use asset is as follows:

|                              |            |
|------------------------------|------------|
| Balance as at May 31, 2020   | \$ 814,880 |
| Addition                     | 249,519    |
| Depreciation                 | (314,299)  |
| <hr/>                        |            |
| Balance at May 31, 2021      | \$ 750,100 |
| Addition                     | 791,609    |
| Depreciation                 | (324,486)  |
| Lease terminations           | (304,549)  |
| <hr/>                        |            |
| Balance at February 28, 2022 | \$ 912,674 |

**17. COMMITMENT**

The Company entered into a Memorandum of Understanding dated April 29, 2021 to purchase a retail cannabis development permit and any other rights to operate a cannabis store at the Company's Cambie Street location. The Cambie store was opened on November 18, 2021. The Company has paid \$471,000 up to February 28, 2022 and is required to make the following additional payments:

- a) \$150,000 on the earlier of (i) after six months of opening the retail store, or (ii) achieving monthly revenue in excess of \$150,000, but not before 100 days after opening.
- b) \$150,000 on the earlier of (i) after nine months of opening the retail store, or (ii) achieving monthly revenue in excess of \$175,000, but not before 120 days after opening.
- c) \$150,000 on the earlier of (i) after twelve months of opening the retail store, or (ii) achieving monthly revenue in excess of \$200,000, but not before 150 days after opening. However, if prior six month average revenue is less than \$100,000, the payment is reduced to \$100,000, and if the prior six month average revenue is greater than \$150,000, the payment is increased to \$200,000.
- d) \$50,000 on the earlier of (i) after fifteen months of opening the retail store, or (ii) achieving monthly revenue in excess of \$220,000, but not before 130 days after opening.



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**17. COMMITMENT (continued)**

If the Company is unable to secure all approvals, permits and licenses for the Cambie Street location, including but not limited to, Provincial License, City Business License, or Landlord approval, then the Company at its sole discretion, may cancel this agreement and walk away forfeiting all advanced funds to that date.

**18. ACQUISITION**

On April 20, 2021, the Company entered into an agreement to acquire a business for \$140,000 for the sole purpose of securing a location for the Cambie Street retail outlet. The Company did not receive any assets other than a lease which was terminated when the agreement closed on July 28, 2021. The amount paid is included in travel and business development in the consolidated statement of operations.