



QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
NOVEMBER 30, 2022 and 2021
(Unaudited)

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

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars)

	As at November 30, 2022 \$	As at May 31, 2022 \$
ASSETS		
Current		
Cash and cash equivalents	53,179	279,058
Accounts receivable	69,202	47,945
Sales taxes recoverable	–	1,553
Prepaid expenses and deposits	84,050	87,106
Inventory (Note 3)	268,141	269,680
Total current assets	474,572	685,342
Investment in film production	75,000	–
Property and equipment (Note 4)	1,769,716	2,136,646
Total assets	2,319,288	2,821,988
LIABILITIES		
Current		
Accounts payable and accrued liabilities	675,429	786,460
Sales taxes payable	24,262	–
Deferred revenue	18,878	29,363
Due to related parties (Note 10)	113,805	217,178
Lease liabilities – Current (Note 19)	373,784	433,693
Loan payable – Current (Note 16)	20,000	20,000
Convertible loan (Note 17)	19,946	–
Derivative liability (Note 18)	40,054	–
Total current liabilities	1,286,158	1,486,694
Lease liabilities – Long-term (Note 19)	1,353,789	1,624,393
Loan Payable - Long-term (Note 16)	40,000	40,000
Total liabilities	2,679,947	3,151,087
EQUITY		
Share capital (Note 5)	25,778,167	25,313,167
Share subscriptions received	75,000	150,200
Contributed surplus	3,278,463	3,278,463
Deficit	(29,492,290)	(29,070,929)
Total equity	(360,660)	(329,099)
Total liabilities and equity	2,319,287	2,821,988

Nature and continuance of operations (Note 1)

Contingency (Note 13)

Subsequent events (Note 20)

APPROVED ON BEHALF OF THE BOARD ON January 30, 2023

/s/ "Russ Rossi"

Russ Rossi, Director

/s/ "Jim Rosevear"

Jim Rosevear, Director

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

(Expressed in Canadian dollars)

	Three Months Ending November 30, 2022 \$	Three Months Ending November 30, 2021 \$	Six Months Ending November 30, 2022 \$	Six Months Ending November 30, 2021 \$
REVENUES				
Retail sales	1,665,171	1,503,103	3,454,131	3,027,090
Training services and software sales	99,229	95,826	216,472	177,246
	1,764,400	1,598,929	3,670,603	3,204,336
EXPENSES				
Accounting and legal (Note 10)	108,471	113,990	140,762	169,044
Automobile	7,989	8,941	18,381	16,778
Bank charges and finance fees	73,495	22,932	116,817	43,324
Depreciation	128,628	119,783	263,201	213,495
Investor and finance development (Note 10)	28,501	51,155	88,871	80,311
Management fees (Note 10)	37,300	56,000	88,220	100,500
Office and miscellaneous (Note 10)	49,179	278,620	138,832	559,081
On-Track TV development costs (Note 9 and 10)	26,274	21,050	70,560	52,200
Regulatory fees	6,841	6,463	10,709	9,892
Research and development (Note 10)	21,480	63,556	83,505	140,706
Retail inventory (Note 3)	1,195,424	936,598	2,241,250	1,888,633
Software development costs (Note 10)	575	2,500	13,885	14,000
Share-based compensation	–	–	–	10,331
Subcontractors (Note 10)	96,705	46,219	186,344	70,902
Telephone and internet	10,998	7,613	17,046	14,496
Travel and business development (Note 10)	79,912	119,282	161,764	325,457
Wages and benefits (Note 10)	231,466	223,180	455,818	429,031
	2,103,238	2,077,882	4,095,965	4,138,181
LOSS BEFORE OTHER ITEMS	(338,838)	(478,953)	(425,362)	(933,845)
OTHER ITEMS				
Interest income	–	3,104	–	10,272
Gain on termination of lease	–	–	4,001	–
NET LOSS AND COMPREHENSIVE LOSS	(338,838)	(475,849)	(421,361)	(923,573)
LOSS PER SHARE BASIC AND DILUTED	(0.01)	(0.02)	(0.01)	(0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	33,278,000	19,327,093	31,835,000	18,844,416

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

(Expressed in Canadian dollars)

	Six Months November 30, 2022 \$	Six Months November 30, 2021 \$
OPERATING ACTIVITIES		
Net loss	(421,361)	(923,573)
Add back non-cash items:		
Depreciation	263,201	213,495
Share-based compensation	–	10,331
Gain from termination of leases	(4,001)	–
Lease interest expense	65,446	42,115
	96,715	(657,632)
Changes in non-cash working capital items:		
Accounts receivable	(21,257)	8,690
Prepaid expenses and deposits	3,056	(34,783)
Sales taxes recoverable	25,815	(2,346)
Inventory	1,539	(87,983)
Accounts payable and accrued liabilities	(86,030)	101,835
Due to related parties	(103,373)	(8,875)
Deferred revenue	(10,485)	39,223
CASH USED IN OPERATING ACTIVITIES	(287,450)	(641,871)
FINANCING ACTIVITIES		
Issuance of common shares, net	440,000	498,650
Share subscriptions received	(75,200)	–
Lease payments	(272,976)	(213,577)
Proceeds from convertible note	60,000	–
CASH PROVIDED BY FINANCING ACTIVITIES	151,824	285,073
INVESTING ACTIVITIES		
Investment in film production	(75,000)	–
Acquisition of property and equipment	(15,253)	(59,431)
CASH USED IN INVESTING ACTIVITIES	(90,253)	(59,431)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(225,879)	(416,229)
CASH AND CASH EQUIVALENTS – BEGINNING	279,058	921,534
CASH AND CASH EQUIVALENTS – ENDING	53,179	505,305
SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–

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QUIZAM MEDIA CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2022 AND 2021
(Expressed in Canadian dollars)

	Number of Common Shares	Amount \$	Contributed Surplus \$	Share Subscriptions (Receivable) Received \$	Deficit \$	Total \$
As at May 31, 2021	18,213,971	24,245,652	3,173,032	–	(26,601,244)	817,440
Units issued for cash	2,000,000	400,000	–	(5,000)	–	395,000
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	117,424	42,000	–	–	–	42,000
Share-based compensation	–	–	10,331	–	–	10,331
Net loss for the period	–	–	–	–	(923,573)	(923,573)
As at November 30, 2021	20,674,895	24,792,167	3,182,498	(5,000)	(27,524,817)	444,848
As at May 31, 2022	25,277,678	25,313,167	3,278,463	150,200	(29,070,929)	(329,099)
Units issued for cash	8,000,000	440,000	–	(150,200)	–	289,800
Share issued for debt	500,000	25,000	–	–	–	25,000
Share subscriptions received	–	–	–	75,000	–	75,000
Net loss for the period	–	–	–	–	(421,361)	(421,361)
As at November 30, 2022	33,777,678	25,778,167	3,278,463	75,000	(29,492,290)	(360,660)

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

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2022 AND 2021
(Expressed in Canadian dollars)

1. CORPORATE INFORMATION, NATURE AND CONTINUANCE OF OPERATIONS

Quizam Media Corporation (the “Company”) was incorporated on September 15, 2000 under the provisions of the Company Act of British Columbia. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “QQ”. 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 negative cash flows from operations. These factors form a material uncertainty that may cast 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. These interim consolidated financial statements do not include any adjustments related to the recoverability of assets and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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.

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

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

3. INVENTORY

Inventory is comprised of the following:

	November 30, 2022 \$	May 31, 2022 \$
Finished goods	268,141	269,680
Total inventory (lower of cost and NRV)	268,141	269,680

Finished goods in the retail inventory expense for the six months ended November 30, 2022 amounted to \$2,241,250 (2021 – \$1,888,633). The reserve for impaired inventory is based on management estimates, past experience, condition of the inventory and regulatory changes.

4. PROPERTY AND EQUIPMENT

Cost	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Library	Right-of-use Assets	Total
As at May 31, 2021	\$ 434,224	\$ 157,654	\$ 129,571	\$ 6,751	\$1,310,69	\$2,038,894
Additions	3,085	41,508	47,088	–	2,047,486	2,139,167
Lease terminations	–	–	–	–	(573,733)	(573,733)
As at May 31, 2022	\$ 437,309	\$ 199,162	\$ 176,659	\$ 6,751	\$2,784,447	\$3,604,328
Additions	482	14,771	–	–	–	15,253
Lease terminations	–	–	–	–	(148,728)	(148,728)
As at November 30, 2022	\$ 437,791	\$ 213,933	\$ 176,659	\$ 6,751	\$2,635,719	\$3,470,853

Accumulated Depreciation

As at May 31, 2021	\$ 422,494	\$ 100,389	\$ 81,637	\$ 5,554	\$ 560,594	\$1,170,668
Depreciation	5,601	19,834	26,580	399	480,169	532,583
Lease terminations	–	–	–	–	(235,569)	(235,569)
As at May 31, 2022	\$ 428,095	\$ 120,223	\$ 108,217	\$ 5,953	\$ 805,194	\$1,467,682
Depreciation	2,677	11,834	11,801	200	236,689	263,201
Lease terminations	–	–	–	–	(29,745)	(29,745)
As at November 30, 2022	\$ 430,772	\$ 132,057	\$ 120,018	\$ 6,153	\$ 1,012,138	\$ 1,701,138

Carrying Amounts

Balance, May 31, 2022	\$ 9,214	\$ 78,939	\$ 68,442	\$ 798	\$ 1,979,253	\$ 2,136,646
Balance, November 30, 2022	\$ 7,019	\$ 81,876	\$ 56,641	\$ 598	\$ 1,623,581	\$ 1,769,715

Total depreciation expense for the six months ended November 30, 2022 relating to right-of-use assets was \$236,689 (2021 - \$217,011) which is presented net of a \$nil (2021 - \$27,968) rental subsidy (Note 19) for a total net depreciation expense of \$263,201 (2021 - \$213,495) in the consolidated statement of operations and comprehensive loss.

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(Expressed in Canadian dollars)

5. SHARE CAPITAL

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

a) Transactions during the six months ended November 30, 2022:

On June 3, 2022, 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-half share purchase warrant. Each whole warrant is exercisable for twenty-four months at a price of \$0.20 per share. The Company's CEO subscribed for 755,000 units. Proceeds of \$150,200 were received prior to May 31, 2022.

On August 19, 2022, the Company issued 4,000,000 units at a price of \$0.05 per unit for proceeds of \$200,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable for twenty-four months at a price of \$0.10 per share. The Company's CEO subscribed for 800,000 units.

On October 12, 2022, the Company issued 500,000 shares at a price of \$0.05 per share for settlement of debt of \$25,000.

b) Transactions during the six months ended November 30, 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.

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. The Company received proceeds of \$5,000 subsequently in December 2021, which has been included as share subscriptions receivable at November 30, 2021.

On November 1, 2021, the Company issued 75,000 shares at a price of \$0.28 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.

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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, 2021	1,387,667	\$ 0.43
Granted	1,495,000	0.26
Exercised	(6,000)	0.40
Expired/Cancelled	(1,286,667)	0.41
Outstanding, May 31, 2022	1,590,000	\$ 0.28
Granted	—	—
Expired/Cancelled	(45,000)	\$ 0.45
Outstanding, November 30, 2022	1,545,000	\$ 0.28

All of the options outstanding as of November 30, 2022 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as of November 30, 2022 was 1.19 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, 2021	9,260,257	\$ 0.19
Expired	(6,847,757)	2.06
Exercised	(337,500)	0.30
Issued	3,000,000	0.30
Balance, May 31, 2022	5,075,000	\$ 0.39
Expired	(2,075,000)	0.52
Issued	4,000,000	0.15
Balance, November 30, 2022	7,000,000	\$ 0.21

On November 30, 2022, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,000,000	\$0.40	May 1, 2023
2,000,000	\$0.25	February 9, 2024
2,000,000	\$0.20	June 4, 2024
2,000,000	\$0.10	August 20, 2024
7,000,000		

The weighted average remaining contractual life of the warrants outstanding as at November 30, 2022, was 1.33 years.

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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 six months ended November 30, 2022 and 2021, respectively:

	2022	2021
	\$	\$
Revenue	216,472	177,246
Expenses	(699,253)	(146,350)
Profit (loss)	(482,781)	30,896

- (b) Software and Licensing sales and expenses for the six months ended November 30, 2022 and 2021, respectively:

	2022	2021
	\$	\$
Revenue	–	–
Expenses	(13,885)	(33,056)
Profit (loss)	(13,885)	(33,056)

- (c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the six months ended November 30, 2022 and 2021, respectively:

	2022	2021
	\$	\$
Retail sales	3,454,131	3,027,090
Retail inventory	(2,745,482)	(1,888,633)
Other expenses	(708,649)	(364,729)

The Company's operations are centralized whereby the Company's head office is responsible for the operational results. All of the Company's assets and revenues are in Canada.

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 six months ended November 30, 2022 and 2021, are as follows:

	2022	2021
	\$	\$
Salary, wages and fees	27,273	–
Production costs	43,287	52,200
	<u>70,560</u>	<u>52,200</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 six months ended November 30, 2022 and 2021, are as follows:

	2022	2021
	\$	\$
Salary, wages and fees (management, programming and marketing)	–	–
Software development costs	13,885	33,056
	<u>13,885</u>	<u>33,056</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:

	2022	2021
	\$	\$
Management fees	87,350	100,500

For the six months ended November 30, 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 November 30, 2022, \$113,805 (May 31, 2022 – \$217,178) 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 six months ended November 30, 2022, an amount of \$410,528 (2021 - \$710,550) 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 for the six month periods ended November 30, 2022 and 2021 is as follows:

	2022 \$	2021 \$
Accounting and legal	36,650	87,850
Investor and finance development	73,850	42,100
Management fees	87,350	100,500
Office and miscellaneous	35,263	146,463
On-Track TV development costs	43,025	52,200
Research and development	46,700	107,650
Software development costs	–	19,950
Subcontractors	62,785	57,200
Travel and business development	24,905	82,225
Wages and benefits	–	14,712
	410,528	710,550

11. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of \$29,056,630 at November 30, 2022 (May 31, 2022 - \$28,741,830). 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 November 30, 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 November 30, 2022 and 2021.

QUIZAM MEDIA CORPORATION
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13. COMMITMENTS AND CONTINGENCIES

- a) In the 2022 fiscal year end the Company purchased a retail cannabis development permit from a third party in exchange for total consideration of \$971,000 that is payable in \$871,000 of cash and \$100,000 in common shares of the Company. As of November 30, 2022 the Company owes \$200,000 in future payments which are a commitment and are accrued for and included in accounts payable and accrued liabilities. The Company accounted for the \$971,000 purchase as pre-operating costs under IAS 38.69 that were incurred prior to opening its Cambie Street store location and these costs were expensed. The development permit is temporary in nature in that the City of Vancouver requires an application to renew the permit each year. The development permit was acquired prior to the Company signing a store lease and before the Company received provincial and municipal licenses for the Cambie Street store, and the lease and licenses are all necessary in order for the Company operate a cannabis retail store.
- b) From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company.

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:

	November 30, 2022 \$	May 31 2022 \$
FVTPL (i)	53,179	279,058
Financial assets at amortized cost (ii)	69,202	47,945
Financial liabilities at amortized cost (iii)	(2,576,807)	(3,121,724)

- (i) Cash and cash equivalents
(ii) Accounts receivable
(iii) Accounts payable, loan payable, lease liabilities, other long term liability, 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.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

	Level	November 30, 2022	May 31, 2022 \$
Cash and cash equivalents	1	53,179	279,058

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 November 30, 2022:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable (excluding GST recoverable)	\$ 56,575	-	-	12,627	69,202

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

The Company previously generated a portion of its revenues in the U.S. and the United Kingdom, and accordingly, the Company's foreign exchange risk arises with respect to the U.S. dollar and the British pound. Financial instruments that may subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 0% of the Company's revenues are denominated in U.S. dollars or British pounds during the six months ended November 30, 2022 (2021 – 0%) while a significant amount of the Company's expenses are denominated in Canadian dollars. Fluctuation of foreign exchange rate between U.S. dollar, British pound and Canadian dollar is not considered to have a material impact on the Company's financial statements.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest Rate Risk

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

15. GOVERNMENT GRANTS

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 employers whose business has been affected by COVID-19. The CEWS was originally for up to 24 weeks, retroactive from March 15, 2020 to June 6, 2020.

At November 30, 2022, an amount of \$nil CEWS (2021 – \$44,615) was credited to wage and benefits in the consolidated statements of operations and comprehensive loss, an amount of \$nil CEWS (2021 – \$44,615) was received before November 30, 2022. There are no unfulfilled conditions and outstanding contingencies regarding the CEWS.

Canada Emergency Rent Subsidy (CERS)

The Canadian government introduced 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 9, 2020. The new rent subsidy was available from September 27, 2020 to November 2021. The qualifying organizations that have suffered a revenue drop would be eligible for a subsidy on eligible expenses, like rent.

As of November 30, 2022, an amount of \$nil (2021 - \$79,124) was received. The Company has applied the practical expedient of IFRS 16 for lessees in its consolidated financial statements for all rent subsidy beginning on June 1, 2020. For the six months ended November 30, 2022, the Company recorded \$nil (2021 - \$79,124) of rent subsidy as a reduction to interest (\$nil (2021 - \$8,123)) and depreciation (\$nil (2021 - \$71,001)) expenses. There are no unfulfilled conditions and outstanding contingencies regarding the CERS.

16. LOANS

Canada Emergency Business Account (CEBA)

CEBA was 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, 2023 will result in loan forgiveness of up to 33% (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 1, 2024 until December 31, 2026, and the interest rate is 0% prior December 31, 2023. No principal repayments are required before December 31, 2023. If the loan remains outstanding after December 31, 2023, only interest payments are required until the full principal is due on December 31, 2025. The Company has a strong intention to repay the loan by end of December 31, 2023.

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17. CONVERTIBLE LOAN

On November 30, 2022 the Company entered into a convertible loan with an unrelated party for \$60,000. The loan bears interest at 10% per annum, payable at \$500 per month on the 30th of each month ("Cash Interest") and bears additional interest at 12.5% per annum, payable through the issuance of common shares at a price of \$0.05 per share ("Shares Interest"). The loan shall be repaid no later than December 1, 2023. The principal portion of the loan may be converted at the option of the holder into common shares of the Company at a price equal to the stock price at the time of conversion less 10%. The Company has the option to repay the loan at any time with 7 days notice at which time the holder has a 7 day option to convert the loan into common shares.

In connection with the issuance of the convertible note, the Company evaluated the conversion option for derivative treatment under IAS 32, *Financial Instruments: Presentation*, and determined the note and conversion feature qualified as derivatives. The Company classified the conversion feature as a derivative liability at fair value. The initial fair value of the conversion feature was determined to be \$40,054, which reduced the carrying value of the convertible note to \$19,946. The carrying value will be accreted over the term of the convertible note up to its face value of \$60,000.

As at November 30, 2022, the carrying value of the convertible note was \$19,946, had an unamortized discount of \$40,054, which will be recognized over the term of the loan using the effective interest rate method, and the fair value of the derivative liability was \$40,054. During the period ended November 30, 2022, the Company recorded accretion expense of \$nil, which is included in interest expense, and recorded accrued interest of \$nil.

18. DERIVATIVE LIABILITIES

The embedded conversion option of the Company's convertible note (Note 17) contains a conversion feature that qualifies for embedded derivative classification. The fair value of this liability will be re-measured at the end of every reporting period and the change in fair value will be reported in the consolidated statements of operations and comprehensive loss as a gain or loss on change in fair value of derivative liabilities. The table below sets forth a summary of changes in the fair value of the Company's Level 3 financial liabilities:

	\$
Balance, May 31, 2022	–
Additions	40,054
Change in fair value of embedded conversion option	–
Balance, November 30, 2022	40,054

The Company uses Level 3 inputs for its valuation methodology for the embedded conversion option liabilities as their fair values were determined by using a Black-Scholes model based on various assumptions. Significant changes in any of these inputs in isolation would result in a significant change in the fair value measurement. As required, these are classified based on the lowest level of input that is significant to the fair value measurement. The following table shows the assumptions used in the calculations:

	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life (in years)
As at November 30, 2022	143.59%	3.86%	0.00%	1.00

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19. 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, 2021	\$ 762,509
Additions	2,045,209
Interest expense	125,597
Lease terminations	(355,677)
Less: rental subsidy	(20,333)
Lease payments	(499,219)
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Balance at May 31, 2022	\$ 2,058,086
Interest expense	65,447
Lease terminations	(122,984)
Lease payments	(272,976)
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Balance at November 30, 2022	1,727,573
Less: current portion	(373,784)
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	\$ 1,353,789

As at November 30, 2022, the balance of the right-of-use asset is as follows:

Balance at May 31, 2021	\$ 750,100
Addition	2,186,797
Lease terminations	(477,475)
Depreciation	(480,169)
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Balance at May 31, 2022	\$ 1,979,253
Lease terminations	(118,983)
Depreciation	(236,689)
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Balance at November 30, 2022	\$ 1,623,581

20. SUBSEQUENT EVENTS

On December 1, 2022, the Company issued 4,100,000 units at a price of \$0.05 per unit for proceeds of \$205,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable for twenty-four months at a price of \$0.10 per share. The Company's CEO subscribed for 810,000 units.