



QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
FEBRUARY 28, 2023
(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 February 28, 2023 \$	As at May 31, 2022 \$
ASSETS		
Current		
Cash and cash equivalents	73,926	279,058
Accounts receivable	84,644	47,945
Sales taxes recoverable	0	1,553
Prepaid expenses and deposits	83,859	87,106
Inventory (Note 3)	315,566	269,680
Total current assets	557,995	685,342
Investment	75,000	–
Property and equipment (Note 4)	1,646,444	2,136,646
Total assets	2,279,440	2,821,988
LIABILITIES		
Current		
Accounts payable and accrued liabilities	563,456	786,460
Sales taxes payable	8,903	–
Deferred revenue	26,105	29,363
Due to related parties (Note 10)	154,136	217,178
Lease liabilities – Current (Note 19)	354,359	433,693
Convertible loan (Note 17)	19,946	–
Derivative liability (Note 18)	40,054	–
Loan payable – Current (Note 16)	61,458	20,000
Total current liabilities	1,228,419	1,486,694
Lease liabilities – Long-term (Note 19)	1,264,538	1,624,393
Loan Payable - Long-term (Note 16)	40,000	40,000
Other Long-term liability	50,168	–
Total liabilities	2,583,124	3,151,087
EQUITY		
Share capital (Note 5)	25,983,167	25,313,167
Share subscriptions received	65,000	150,200
Contributed surplus	3,278,463	3,278,463
Deficit	(29,630,315)	(29,070,929)
Total equity	(303,685)	(329,099)
Total liabilities and equity	2,279,439	2,821,988

Nature and continuance of operations (Note 1)

Contingency (Note 13)

Subsequent events (Note 20)

APPROVED ON BEHALF OF THE **BOARD ON APRIL 28, 2023**

/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)

	Three Months Ending February 28, 2023 \$	Three Months Ending February 28, 2022 \$	Nine Months Ending February 28, 2023 \$	Nine Months Ending February 28, 2022 \$
REVENUES				
Training services and software sales	117,711	147,328	334,183	324,574
Consulting fees	0	0	0	0
Retail sales	1,740,959	1,599,709	5,195,050	4,626,799
	1,858,670	1,747,037	5,529,273	4,951,373
EXPENSES				
Accounting and legal (Note 10)	15,641	39,266	156,403	208,310
Automobile	7,934	13,452	26,315	30,230
Bank charges and finance fees	77,732	23,585	194,549	66,909
Depreciation	129,351	121,166	392,395	334,661
Investor and finance development	38,630	79,168	127,501	159,479
Management fees (Note 10)	42,675	63,200	130,895	163,700
Office and miscellaneous (Note 10)	102,212	599,449	241,044	1,158,530
On-Track TV development costs (Note 9 and 10)	22,577	27,850	93,137	80,050
Regulatory fees	7,260	3,972	17,969	13,863
Research and development (Note 10)	34,390	60,494	117,895	201,200
Retail inventory (Note 3)	1,059,172	992,255	3,300,422	2,880,888
Software development costs (Note 10)	3,697	63,275	17,582	77,275
Share-based compensation	0	95,965	0	106,296
Subcontractors (Note 10)	62,691	54,125	249,035	125,027
Telephone and internet	9,096	7,323	26,142	21,819
Travel and business development (Note 10)	129,021	59,745	290,785	385,202
Wages and benefits (Note 10)	254,774	247,596	710,592	676,628
Loss from termination of leases	0	66,039		66,039
	1,996,694	2,617,925	6,092,659	6,756,106
LOSS BEFORE OTHER ITEMS	-138,025	-870,888	-563,387	-1,804,733
OTHER ITEMS				
Other income	0	0	4,001	10,272
NET LOSS AND COMPREHENSIVE LOSS	-138,025	-870,888	-559,386	1,794,461
LOSS PER SHARE BASIC AND DILUTED	0.00	-0.04	-0.01	-0.09
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	37,877,678	21,907,904	37,877,678	21,907,904

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

(Expressed in Canadian dollars)

	Three Months February 28, 2023 \$	Three Months February 28, 2022 \$
OPERATING ACTIVITIES		
Net loss	(559,386)	(1,794,461)
Add back non-cash items:		
Depreciation	392,395	334,661
Share-based compensation	–	88,256
Gain from termination of leases	(4,001)	66,039
Lease interest expense	95,038	62,810
	(75,953)	(1,242,668)
Changes in non-cash working capital items:		
Accounts receivable	(36,699)	49,052
Prepaid expenses and deposits	3,247	4,347
Sales taxes recoverable	10,456	(633)
Inventory	(45,886)	(115,128)
Accounts payable and accrued liabilities	(198,003)	89,847
Due to related parties	(63,042)	3,161
Convertible loan	19,946	
Derivative liability	40,054	
Loan payable	41,458	
Deferred revenue	(3,258)	10,176
CASH USED IN OPERATING ACTIVITIES	(307,679)	(1,183,846)
FINANCING ACTIVITIES		
Issuance of common shares, net	645,000	903,650
Share subscriptions received	(85,200)	
Other Long-term liability	50,168	
Lease payments	(411,244)	(285,570)
CASH PROVIDED BY FINANCING ACTIVITIES	198,724	618,080
INVESTING ACTIVITIES		
Acquisition of property and equipment	(21,176)	(104,135)
Investment in film production	(75,000)	0
CASH USED IN INVESTING ACTIVITIES	(96,176)	(104,135)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(205,132)	(669,901)
CASH AND CASH EQUIVALENTS – BEGINNING	279,058	921,534
CASH AND CASH EQUIVALENTS – ENDING	73,926	251,633
SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–

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

QUIZAM MEDIA CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2023 AND 2022
(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	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)
As at February 28, 2022	25,277,678	25,313,167	3,278,463	0	(28,395,705)	195,925
As at May 31, 2022	25,217,678	25,313,167	3,278,463	150,200	-29,070,929	-329,099
Units issued for cash	12,100,000	645,000	–	(150,200)	–	494,800
Share issued for debt	500,000	25,000	–	–	–	25,000
Share subscriptions received	–	–	–	65,000	–	65,000
Net loss for the period	–	–	–	–	(559,386)	(559,386)
As at February 28, 2023	33,877,678	25,983,167	3,278,463	65,000	(29,630,315)	(303,685)

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

QUIZAM MEDIA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2023 AND 2022

(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
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

3. INVENTORY

Inventory is comprised of the following:

	February 28, 2023 \$	May 31, 2022 \$
Finished goods	315,566	269,680
Total inventory (lower of cost and NRV)	315,566	269,680

Finished goods in the retail inventory expense for three months February 28, 2023 amounted to \$1,059,172 (2022 – \$992,255). 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	\$1,310,694	\$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	2,549	18,627	–	–	–	21,176
Lease terminations	–	–	–	–	(148,728)	(148,728)
As at February 28, 2023	\$ 439,858	\$ 217,789	\$ 176,659	\$ 6,751	\$2,635,719	\$3,476,776

Accumulated Depreciation

As at May 31, 2021	\$ 422,494	\$ 100,389	\$ 81,637	\$ 5,554	\$ 560,594	\$1,170,668
Depreciation ^(a)	5,601	19,834	26,580	399	480,169 ^(a)	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	4,166	17,980	16,157	299	353,794	392,396
Lease terminations	–	–	–	–	(29,746)	(29,746)
As at February 28, 2023	\$ 432,261	\$ 132,203	\$ 124,374	\$6,252	\$ 1,129,242	\$1,830,332

Carrying Amounts

Balance, May 31, 2022	\$ 9,764	\$ 57,265	\$ 47,934	\$ 1,197	\$ 750,100	\$ 868,226
Balance, February 28, 2023	\$ 7,597	\$ 79,587	\$ 52,285	\$ 499	\$ 1,506,477	\$ 1,646,444

Total depreciation expense for the nine months ended February 28, 2023 relating to right-of-use assets was \$353,794 (2022 - \$324,486) which is presented net of a \$nil (2022 - \$69,170) rental subsidy (Note 19) for a total net depreciation expense of \$392,396 (2022 - \$362,629) in the consolidated statement of operations and comprehensive loss.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2023 AND 2022
(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 nine months ended February 28, 2023:

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.

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 650,000 units.

b) Transactions 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. 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 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.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2023 AND 2022

(Expressed in Canadian dollars)

5. SHARE CAPITAL (continued)

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.

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	(120,000)	\$0.60
Outstanding, February 28, 2023	1,470,000	\$ 0.26

All of the options outstanding as of February 28, 2023 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as of February 28, 2023 was 1.23 years (May 31, 2022 – 1.93 years).

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. SHARE PURCHASE WARRANTS

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

	Number of Underlying Shares	Weighted Average Exercise Price
Balance, May 31, 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	6,050,000	0.13
Balance, February 28, 2023	9,050,000	\$ 0.19

On February 28, 2023, 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
2,050,000	\$0.10	December 1, 2024
9,050,000		

The weighted average remaining contractual life of the warrants outstanding as at February 28, 2023, was 1.48 years.

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

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, 2023 and 2022, respectively:

	2023	2022
	\$	\$
Revenue	333,736	324,574
Expenses	(1,033,972)	(1,001,322)
Profit (loss)	(700,236)	(676,748)

- (b) Software and Licensing sales and expenses for the nine months ended February 28, 2023 and 2022, respectively:

	2023	2022
	\$	\$
Revenue	–	–
Expenses	(15,760)	(77,275)
Profit (loss)	–(15,760)	(77,275)

- (c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the nine months ended February 28, 2023 and 2022, respectively:

	2023	2022
	\$	\$
Retail sales	5,195,090	4,626,799
Retail inventory	(3,300,422)	(2,880,888)
Gross Profit	1,894,668	1,755,913
Other expenses	(1,060,167)	(1,954,593)
Profit (loss)	834,501	(198,680)

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

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, 2023 and 2022, are as follows:

	2023	2022
	\$	\$
Salary, wages and fees	41,170	–
Production costs	47,323	80,050
	<u>88,492</u>	<u>80,050</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, 2023 and 2022, are as follows:

	2023	2022
	\$	\$
Salary, wages and fees (management, programming and marketing)	–	–
Software development costs	15,760	77,275
	<u>15,760</u>	<u>77,275</u>

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

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:

	2023 \$	2022 \$
Management fees	195,861	163,700

For the nine months ended February 28, 2023 and 2022, 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, 2023, \$154,136 (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.

(c) Related party transactions

During the three months ended February 28, 2023, an amount of \$805,291 (2022 - \$1,252,587) 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 nine-month periods ended February 28, 2023 and 2022 is as follows:

	2023 \$	2022 \$
Accounting and legal	64,700	121,100
Investor and finance development	108,960	87,700
Management fees	195,861	163,700
Office and miscellaneous	57,487	234,560
On-Track TV development costs	94,350	80,050
Research and development	157,650	187,600
Software development costs	3,845	28,850
Subcontractors	88,610	130,600
Business development	31,078	110,900
Wages and benefits	2,750	27,527
Gain/loss on termination of lease		80,000
	805,291	1,252,587

QUIZAM MEDIA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2023 AND 2022

(Expressed in Canadian dollars)

11. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of \$29,261,630 at February 28, 2023 (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 February 28, 2023, 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, 2023 and 2022.

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 February 28, 2023 the Company owes \$40,000 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.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED FEBRUARY 28, 2023 AND 2022**

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and due to related parties. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	February 28, 2023 \$	May 31 2022 \$
FVTPL (i)	73,926	279,058
Financial assets at amortized cost (ii)	84,644	47,945
Financial liabilities at amortized cost (iii)	(2,548,116)	(3,121,724)

(i) Cash and cash equivalents

(ii) Accounts receivable

(iii) Accounts payable, loan payable, lease liabilities 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, 2023	May 31, 2022 \$
Cash and cash equivalents	1	73,926	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.

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14. 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, 2023:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable (excluding GST recoverable)	\$ 23,472	-	-	15,055	38,527

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 nine months ended February 28, 2023 (2022 -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.

Interest Rate Risk

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

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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 February 28, 2023, an amount of \$nil CEWS (2022 – \$44,615) was credit to wage and benefits in the consolidated statements of operations and comprehensive loss, an amount of \$nil CEWS (2022 – \$44,615) was received before February 28, 2023. 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 February 2021. The qualifying organizations that have suffered a revenue drop would be eligible for a subsidy on eligible expenses, like rent.

At February 28, 2023, an amount of \$nil (2022 - \$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 nine months ended February 28, 2023, the Company recorded \$nil (2022 - \$79,124) of rent subsidy as a reduction to interest (\$nil (2022 - \$8,123)) and depreciation (\$nil (2022 - \$71,001)) expenses. There are no unfulfilled conditions and outstanding contingencies regarding the CERS.

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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.

On February 28, 2023, current loan balance also includes a credit amount of \$41,458. This was due for a service obtained by the company.

17. CONVERTIBLE LOAN

On February 28, 2023 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 February 28, 2023, 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 February 28, 2023, the Company recorded accretion expense of \$nil, which is included in interest expense, and recorded accrued interest of \$nil.

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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, February 28, 2023	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	Risk-free	Expected	Expected life
	Volatility	interest rate	dividend yield	(in years)
As at February 28, 2023	143.59%	3.86%	0.00%	1.00

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)
Balance at May 31, 2022	2,058,086
Interest expense	65,447
Lease terminations	(122,984)
Lease payments	(272,976)
Balance at February 28, 2023	1,618,897
Less: current portion	(354,359)
	\$ 1,264,537

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19. RIGHT-OF-USE ASSET AND LEASE LIABILITIES (continued)

As at February 28, 2023, 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	(353,793)
<hr/>	
Balance at February 28, 2023	\$ 1,506,477

20. SUBSEQUENT EVENTS

On March 1, 2023, the Company issued 4,200,000 units at a price of \$0.05 per unit for proceeds of \$210,000. 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 650,000 units.

On March 1, 2023, there was a direction to pay amounting to \$60,000 to settle the dues for Common shares issued on 1st March 2023. This included convertible loan amounting to \$19,946, derivative liability 40,054 prevailing in the balance sheet as of February 28, 2023.

On March 15, 2023, Quizam entered into shares for debt agreement with a supplier amounting to \$41,458 to settle the dues for issue of 829,167 Common shares issued to him on 1st March 2023. This due amount was reported under current loan payable in the balance sheet as of February 28, 2023.