QUIZAM MEDIA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MAY 31, 2023 AND 2022

manning elliott

17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3

Tel: 604. 714. 3600 **Fax:** 604. 714. 3669 **Web:** manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Quizam Media Corporation

Opinion

We have audited the consolidated financial statements of Quizam Media Corporation. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at May 31, 2023 and 2022, and the consolidated statements of operations and comprehensive loss, cash flows and changes in equity (deficiency) for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the Financial Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the Financial Statements for the year ended May 31, 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, the key audit matter is communicated in our auditors' report as follows:

Revenue Recognition

Key Audit Matter Description

Refer to revenue note disclosures in Note 3(f) Critical Judgements and Sources of Estimation Uncertainty and Note 4(h) – Significant accounting policies.

The Company generates revenue primarily from the retail sale of cannabis products and from software training services. The Company recognized total revenue of $7,409,508 for the year ended May 31, 2023.

We identified revenue recognition as a key audit matter due to:

- The significance of revenue in the Company's operating results, and
- The effort in performing procedures related to revenue recognition.

Audit Response

Our approach to addressing the matter included the following procedures:

- Understanding the Company's process for revenue and the design and implementation of controls for recognition
- Assessing the Company's polices for the recognition of revenue for compliance with the requirements of accounting standards
- Reconciling total revenue recognized for the year to store sales reports and training reports
- Testing a sample of revenue to retail point-of-sale records or training invoices, and to sale proceeds

- Testing a sample of revenue for occurrence based on point-of-sale transactions, deliveries and course support
- Performed cut-off procedures on a sample basis to assess if revenue was recognized in the correct period based on product delivery and course dates; and
- Tested the completeness of revenues by evaluating daily sales reporting and course date tracking and comparing to revenues recognized

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

September 28, 2023

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	As at May 31, 2023 $	As at May 31, 2022 $
ASSETS		
Current		
Cash and cash equivalents	20,800	279,058
Accounts receivable	40,181	47,945
Sales taxes recoverable	19,365	1,553
Prepaid expenses and deposits	77,217	87,106
Inventory (Note 5)	352,531	269,680
Total current assets	510,094	685,342
Investment in sublease (Note 21)	158,756	–
Property and equipment (Note 6)	1,829,944	2,136,646
Total assets	**2,498,794**	**2,821,988**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	471,233	786,460
Deferred revenue	14,219	29,363
Due to related parties (Note 13)	197,533	217,178
Lease liabilities (Note 20)	432,363	433,693
Loan payable (Note 19)	75,000	–
Government loan payable (Note 19)	60,000	20,000
Deposit received (Note 10)	89,293	–
Total current liabilities	1,339,641	1,486,694
Lease liabilities – Long-term (Note 20)	1,562,692	1,624,393
Government loan payable - Long-term (Note 19)	–	40,000
Total liabilities	**2,902,333**	**3,151,087**
EQUITY (DEFICIENCY)		
Share capital (Note 5)	26,171,042	25,313,167
Share subscriptions received	–	150,200
Contributed surplus	3,320,463	3,278,463
Deficit	(29,895,044)	(29,070,929)
Total equity (deficiency)	**(403,539)**	**(329,099)**
Total liabilities and equity (deficiency)	**2,498,794**	**2,821,988**

Going concern (Note 1)
Contingency (Note 25)
Subsequent events (Note 26)

APPROVED ON BEHALF OF THE BOARD ON SEPTEMBER 28, 2023

/s/ "Russ Rossi"
Russ Rossi, Director

/s/ "Jim Rosevear"
Jim Rosevear, Director

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	Year Ended May 31, 2023	Year Ended May 31, 2022
	$	$
REVENUES		
Retail sales	6,865,897	6,331,559
Training services and software sales	543,611	545,986
	7,409,508	6,877,545
EXPENSES		
Accounting and legal (Note 13)	183,607	243,319
Automobile	33,800	63,003
Bank charges and finance fees	289,206	132,426
Depreciation	516,568	512,250
Investor and finance development (Note 13)	178,826	146,649
Management fees (Note 13)	256,519	224,100
Office and miscellaneous (Note 13)	304,852	759,031
On-Track TV development costs (Note 11 and 12)	127,140	129,361
Pre-operating costs (Note 16)	–	971,000
Regulatory fees	21,402	17,276
Rent	–	13,371
Research and development (Note 13)	256,320	246,600
Retail inventory (Note 5)	4,333,771	3,968,562
Software development costs (Note 13)	20,317	97,475
Share-based compensation (Note 13)	–	106,296
Subcontractors (Note 13)	287,747	171,300
Telephone and internet	29,655	28,913
Travel and business development (Note 13)	578,576	528,347
Wages and benefits (Note 13)	887,539	885,736
	8,305,845	9,245,015
LOSS BEFORE OTHER ITEMS	(896,337)	(2,367,470)
OTHER ITEMS		
Interest income	948	10,272
Gain (loss) on termination of lease	4,001	(112,487)
Gain on sublease (Note 21)	13,911	–
Gain on settlement of debt (Note 7)	21,583	–
Other income	31,779	–
NET LOSS AND COMPREHENSIVE LOSS	(824,115)	(2,469,685)
LOSS PER SHARE BASIC AND DILUTED	(0.02)	(0.12)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	35,785,258	21,221,000

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

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	Year Ended May 31, 2023 $	Year Ended May 31, 2022 $
OPERATING ACTIVITIES		
Net loss	(824,115)	(2,469,685)
Add back non-cash items:		
Depreciation	516,568	512,250
Share-based compensation	–	106,296
Shares issued for services	–	63,000
Shares issued for pre-operating costs	–	100,000
Shares issued for settlement of debt	44,875	–
Gain on settlement of debt	(21,583)	–
Investment in sublease	(158,756)	–
Gain on sublease	(13,911)	–
Interest income from sublease	(647)	–
Loss (gain) from termination of leases	(4,001)	112,487
Lease interest expense	151,358	125,597
	(310,212)	(1,450,055)
Changes in non-cash working capital items:		
Accounts receivable	7,764	19,816
Prepaid expenses and deposits	9,888	(2,168)
Sales taxes recoverable	(17,811)	7,171
Inventory	(82,851)	(148,845)
Accounts payable and accrued liabilities	(293,644)	267,553
Due to related parties	(19,645)	193,572
Loan payable	75,000	–
Deferred revenue	(15,144)	7,530
CASH USED IN OPERATING ACTIVITIES	(646,655)	(1,105,426)
FINANCING ACTIVITIES		
Issuance of common shares	644,800	903,850
Issuance of convertible debt	60,000	–
Share subscriptions received	–	150,000
Lease payments	(557,800)	(499,219)
CASH PROVIDED BY FINANCING ACTIVITIES	147,000	554,631
INVESTING ACTIVITIES		
Disposal (acquisition) of property and equipment	152,104	(91,681)
Deposit payable	89,293	
CASH USED IN INVESTING ACTIVITIES	241,397	(91,681)
DECREASE IN CASH AND CASH EQUIVALENTS	(258,258)	(642,476)
CASH AND CASH EQUIVALENTS – BEGINNING	279,058	921,534
CASH AND CASH EQUIVALENTS – ENDING	20,800	279,058
SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–

QUIZAM MEDIA CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

FOR THE YEARS ENDED MAY 31, 2023 AND 2022

(Expressed in Canadian dollars)

	Number of Common Shares	Amount $	Contributed Surplus $	Share Subscriptions Received $	Deficit $	Total $
As at May 31, 2021	**18,213,971**	**24,245,652**	**3,173,032**	**–**	**(26,601,244)**	**817,440**
Private placement of units	6,000,000	800,000	–	–	–	800,000
Shares issued for services	285,424	63,000	–	–	–	63,000
Shares issued for pre-operating costs	434,783	100,000	–	–	–	100,000
Shares issued for exercise of warrants	337,500	101,250	–	–	–	101,250
Shares issued for exercise of options	6,000	3,265	(865)	–	–	2,400
Share subscriptions received	–	–	–	150,200	–	150,200
Share-based compensation	–	–	106,296	–	–	106,296
Net loss for the year	–	–	–	–	(2,469,685)	(2,469,685)
As at May 31, 2022	**25,277,678**	**25,313,167**	**3,278,463**	**150,200**	**(29,070,929)**	**(329,099)**

	Number of Common Shares	Amount $	Contributed Surplus $	Share Subscriptions Received $	Deficit $	Total $
As at May 31, 2022	**25,277,678**	**25,313,167**	**3,278,463**	**150,200**	**(29,070,929)**	**(329,099)**
Private placement of units	15,100,000	753,000	42,000	(150,200)	–	644,800
Shares issued on debt conversion	1,200,000	60,000	–	–	–	60,000
Shares issued for debt settlement	1,329,167	44,875	–	–	–	44,875
Net loss for the year	–	–	–	–	(824,115)	(824,115)
As at May 31, 2023	**42,906,845**	**26,171,042**	**3,320,463**	**–**	**(29,895,044)**	**(403,539)**

1. NATURE OF OPERATIONS AND GOING CONCERN

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 consolidated financial statements are presented on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. There are conditions and events that cast significant doubt on the validity of this assumption. For the year ended May 31, 2023, the Company incurred a loss of $824,115 (2022 - $2,469,685), a working capital deficiency of $829,546 (2022 – $801,352) and had an accumulated deficit of $29,895,044 (2022 - $29,070,929). The Company has had 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. The 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.

2. BASIS OF PREPARATION

a) Statement of Compliance and Basis of Presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on September 28, 2023.

b) Basis of consolidation

These 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.

2. BASIS OF PREPARATION (continued)

	Principal activity	Place of incorporation and operation	Ownership interest May 31, 2023	Ownership interest May 31, 2022
On-Track	Computer training and consulting services	Canada	100%	100%
Quizam Entertainment LLC	Inactive	United States	100%	100%
Quantum 1 Cannabis Corp.	Consulting services in Cannabis industry and retail dispensaries	Canada	100%	100%

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

3. CRITICAL JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is as follows:

Accounting estimates

a) Allowance for doubtful accounts

Management applies judgement in evaluating its accounts receivable for doubtful accounts based on the length of time an account has been outstanding and history of collection. In measuring doubtful accounts, management uses an estimate reflecting its expected recoverable amount.

b) Share-based compensation

Management uses the Black-Scholes option pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates, and the dividend yield of the Company's common shares.

3. CRITICAL JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Accounting estimates (continued)

c) Lease

The critical assumptions and estimates used in determining the present value of future lease payments requires management to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term, and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

d) Convertible debentures and derivatives

The Company uses the Black-Scholes Pricing Model to determine the fair value of derivative liability. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss).

e) Inventory allowance

In the valuation of inventory, management considers the net realizable value of its inventory which includes an estimate of expected future sales prices. When the sales amount expected to be realized exceed the carrying value of inventory based on cost, a provision is recorded to write-down the value of inventory to its net realizable value.

Accounting Judgements

f) Revenue recognition

Management applies judgement in evaluating and determining performance obligations for its sales and the point in which the criteria for revenue recognition has been met. Generally, there is one performance obligation which is met when either (1) Control of the goods have been transferred to the customer, and for retail sales this is typically at the point of sale and (2) when services have been provided which is typically the date a training course has been delivered. Refer to Note 4(h) for additional details.

g) Going concern

As discussed in Note 1, these consolidated financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used and such adjustments could be material. The Company reviews the going concern assessment at the end of each reporting period.

3. CRITICAL JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Accounting Judgements (continued)

h) Valuation of deferred tax assets and liabilities

Deferred tax assets and liabilities require management judgment in order to determine the amounts to be recognized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied. Deferred tax assets are estimated with consideration given to the timing, sources and amounts of future taxable income.

i) Valuation and useful lives of property and equipment

Changes in technology or the intended use of these assets as well as changes in economic or industry factors may create indicators of impairment or cause the estimated useful lives of these assets to change. Where impairment is indicated, the Company estimates the fair value of the assets and charges the difference between the fair value and the carrying amount, if any, to impairment expense. The estimates of the useful lives of property and equipment are reviewed on an annual basis. Depreciation or amortization is adjusted on a prospective basis, if and when required. Management's judgment is also required in assessing whether property and equipment are considered to be in the location and condition necessary for such to be capable of operating in the manner intended by management.

j) Impairment assessment of net investment in sublease

The Company measures loss allowances for net investment in sublease at an amount equal to lifetime expected credit losses ("ECLs"). When estimating ECL the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

b) Foreign currency translation

Foreign currency denominated assets and liabilities of operations are translated into Canadian dollars at exchange rates prevailing at the consolidated statement of financial position date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses are converted at the average exchange rate for the reporting period. Gains or losses on translation are included in operations. The Company's and its subsidiaries' functional and presentation currency is the Canadian dollar.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Property and equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Computer hardware	3 years
Furniture and fixtures	5 years
Library	5 years

Leasehold improvements and right-of-use assets are depreciated using the straight-line method over the estimated term of the related lease.

d) Long-lived assets and impairment

The Company evaluates, on an ongoing basis, the carrying value of property and equipment for indications of impairment at each statement of financial position date or if an indication of impairment occurs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the consolidated statement of operations and comprehensive loss for the period.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

e) Loans receivable and loan payable

Loans receivable and loan payable are carried at amortized cost using the effective interest method. Any finance charges are deferred and recognized over the life of the loan.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred.

Share issue costs are charged to share capital when the related shares are issued. Deferred share issuance costs related to financing transactions that are not completed are charged to expenses.

g) Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which deductions and tax losses can be utilized.

h) Revenue recognition

The Company recognizes revenue in accordance with IFRS 15 Revenue from Contracts with Customers, which establishes a single five-step model framework for determining the nature, amount, timing an uncertainty of revenue and cash flow arising from the Company's contracts with customers. The five-step model is described below:

Step 1: Identify the contract;
Step 2: Identify separate performance obligations;
Step 3: Determine transaction price;
Step 4: Allocate the transaction price to the performance obligations; and
Step 5: Recognize revenue when performance obligation is satisfied.

The Company has the following types of revenue streams:

i. Training revenue

Training revenues are recorded when a customer attends a course, this is the date at which the performance obligations are satisfied by the Company and costs of the transaction can be reliably measured, the amount of revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Company. Revenue is recognized at a point in time once a course has been provided. Any prepayments made for courses to occur in the future represent contract liabilities and are classified as deferred revenue.

ii. On-Track TV revenue

On-Track TV revenues are those whereby customers sign up and pay for access to a video library. Performance obligations are satisfied when access to the On-Track TV website has been granted, at which point the revenues are recorded provided that collection is probable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Revenue recognition (continued)

iii. Software revenue

The Company records revenue from the sale of software when the customers download the software from the Company's website (i.e. performance obligation is satisfied) and collection is reasonably assured which is generally when direct payment is received.

iv. License fee revenue

License fees are recorded in the accounts when all conditions have been met under the license agreement, the licensee is satisfied with the operations of the software, and collection is probable, which is generally when payment is received.

v. Movie distribution license revenue

Movie distribution license revenues are recorded in the accounts when all conditions have been met under the license agreement, and collection is probable, which is generally when payment is received.

vi. Consulting fee revenue

Consulting fee revenue is earned from management oversight services provided to cannabis producers at customer's site. Performance obligations are considered satisfied once the monthly consulting services have been provided. At this point revenue is recognized provided that collectability is assured.

vii. Cannabis retail sales

The Company sells pre-packaged cannabis products and accessories at its retail locations. These sales consist of one performance obligation at point-of-sale. This obligation is satisfied when control of the goods is transferred to a customer. In return, the customer pays for goods at a fixed price upon delivery of the goods. The Company recognizes revenue from the sale of cannabis and related accessories at the time of sale as recognition criteria are considered met.

The Company's revenue streams do not have any significant financing components or variable consideration. Revenue is recognized net of allowances and discounts and excise taxes.

i) Inventory

Inventory is represented by pre-packaged cannabis products purchased from a licensed wholesaler (e.g. flowers, oils, pre-rolls, vape cartridges, edibles) and related accessories. These are initially measured at cost, including directly related shipping costs, using the weighted average basis. Inventory is measured at the lower of cost and net realizable value ("NRV"), which is represented by the estimated selling price in ordinary course of business less estimated selling cost.

At each reporting period, the Company reviews inventory for obsolete and slow-moving items. Any such items are written down to the NRV.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share-based compensation

The Company records all share-based compensation at its fair value. The share-based compensation costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of share-based compensation.

k) Earnings (loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted income (loss) per share.

The existence of warrants and options affects the calculation of earnings (loss) per share on a fully diluted basis. As the effect of this dilution is to increase the reported earnings per share and reduce the reported loss per share and diluted per share amounts excludes all potential common shares if their effect is anti-dilutive, basic and diluted loss are the same.

l) Development costs

Development costs are expensed as incurred, except in cases where development costs meet certain identifiable criteria for deferral. The Company has not capitalized any product development costs during the period.

m) Financial instruments

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every reporting date. All financial instruments are recognized when the Company becomes a party to contractual provisions of these instruments. Financial instruments initially recorded at fair value. Financial assets are classified into one of three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost using effective interest method, except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments as below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination.

Financial instruments comprise cash and cash equivalents, accounts receivable, accounts payable, due to related parties and loans payable. Management accounts for financial instruments as follows:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i. Financial assets

Amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest method. Accounts receivable are measured at amortized co

Fair value through other comprehensive income

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and sell financial assets, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings. The Company currently has no financial assets designated as FVTOCI.

Fair value through profit or loss

By default, all other financial assets are measured subsequently at FVTPL. The Company’s cash is measured at FVTPL.

ii. Financial liabilities

Financial liabilities at amortized cost include accounts payable, loans payable, lease liabilities, and amounts due to related parties. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the statements of operations and comprehensive income (loss).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Leases and right-of-use assets

Management exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for under IFRS 16 as a lease. Judgment is required in determining the appropriate lease term by lease basis. Management considers all facts and circumstances that create the economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leasehold improvements, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if management is reasonably certain to exercise the option.

Right-of-use (“ROU”) asset

A lease is a contract that transfers substantially all the risks and rewards incidental to ownership of an identified asset. In accordance with IFRS 16, Leases, the Company initially recognizes a lease at its commencement date which is when an identified asset is made available for use. Right-of-use assets are measured at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and any initial direct or estimated restoration costs. A right-of-use asset is then depreciated on a straight-line basis over the shorter of the asset’s useful life or the lease term.

Net investment in sublease

If a sublease is classified as a finance lease, the original lessee derecognises the right-of-use asset on the head lease at the sublease commencement date and continues to account for the original lease liability in accordance with the lessee accounting model. The original lessee, as the sublessor, recognises a net investment in the sublease and evaluates it for impairment at period-end.

Lease liabilities

Lease liabilities include the present value of future fixed payments, less any lease incentives receivable, and the exercise price of a purchase option if it is reasonably certain to be exercised. Future fixed lease payments are discounted using the Company’s incremental borrowing rate if the rate implicit in the lease is not readily determinable. The term of each lease includes its non-cancellable period. The term can also include periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. After the commencement date, the Company continually measures its lease liabilities to reflect changes in lease payments, discount rates or the leases’ remaining term with an offsetting adjustment to right-of-use assets.

Lease payments are applied against lease liabilities using the effective interest method. Short-term leases with an initial lease term of less than 12 months are evaluated by class of the underlying asset whereas lease payments for low-value assets are evaluated on a lease-by-lease basis. Short-term and low-value leases can be accounted for as either leases or expensed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Convertible debt

Convertible loans are separated into their liability and equity components on the consolidated financial statements of financial position. The liability component is initially recognized at fair value, determine as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is recognized at amortized cost, using the effective interest method, until extinguished upon conversion or maturity. If a security or instrument becomes convertible only upon the occurrence of a future event outside the control of the Company, or, is convertible from inception, but contains conversion terms that change upon the occurrence of a future event, then any contingent beneficial conversion feature is measured and recognized when the triggering event occurs and contingency has been resolved. The fair value of the equity component of the convertible loan is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the debt component is allocated as the fair value of the equity component.

For convertible dentures which provide conversion into a variable number of shares or into a fixed number of shares for a variable amount of consideration, the conversion option is accounted for as an embedded derivative, which is separated from the host contract. The Company separately accounts for the conversion feature as a derivative liability recorded at fair value and marked-to-market each period with the changes in the fair value recognized in profit or loss. The liability component is recognized as the difference between the fair value of the instruments as a whole and the fair value of the derivative liability.

Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended May 31, 2023, and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

(Expressed in Canadian dollars)

5. INVENTORY

Inventory is comprised of the following:

	May 31,2023 $	May 31,2022 $
Finished goods	379,401	269,680
Less: Inventory write-down	26,870	-
Total inventory (lower of cost and NRV)	352,531	269,680

The retail inventory expense for the year ended May 31, 2023 amounted to $4,333,771 (2022 – $3,968,562) which represent the purchased cost of retail goods sold and an inventory provision. Management records a reserve for impaired inventory based on estimates, past experience, condition of the inventory and regulatory changes. During the year ended May 31, 2023, the Company recorded an inventory provision in the amount of $26,870 (2022 - $0) in relation to slow-moving accessories inventory.

6. PROPERTY AND EQUIPMENT

a) Continuity tables:

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	4,510	18,627	–	–	226,012	249,150
Lease terminations	–	(5,988)	(16,152)	–	(148,728)	(170,868)
As at May 31, 2023	$ 441,819	$ 211,801	$ 160,507	$ 6,751	$2,861,731	$3,682,609
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	5,946	24,122	19,416	399	466,684	516,568
Lease terminations	–	(3,360)	(7,128)	–	(121,096)	(131,584)
As at May 31, 2023	$ 434,041	$ 140,985	$ 120,505	$6,352	$ 1,150,782	$1,852,666
Carrying Amounts						
Balance, May 31, 2022	$ 9,214	$ 78,939	$ 68,442	$ 798	$ 1,979,253	$ 2,136,646
As at May 31, 2023	$ 7,778	$ 70,816	$ 40,001	$ 399	$ 1,710,949	$ 1,829,944

6. PROPERTY AND EQUIPMENT (continued)

b) Total depreciation expense

Total depreciation expense for the year relating to right-of-use assets was $466,684 (2022 - $480,169) which is presented in depreciation expense of $516,568 (2022 - $512,250) in the consolidated statement of operations and comprehensive loss.

7. SHARE CAPITAL

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

Transactions during the year ended May 31, 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. Gross proceeds from this private placement of $240,000 were allocated to share capital and $Nil to warrants using the residual method. Of the $240,000 gross proceeds, $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. Gross proceeds from this private placement of $200,000 were allocated to share capital and $Nil to warrants using the residual method.

On October 12, 2022, the Company issued 500,000 common shares with a fair value of $20,000 to settle accounts payable of $25,000 with an arm’s length creditor. On completion of the debt settlement, the Company recorded a gain on settlement in the amount of $5,000.

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 1,000,000 units. Gross proceeds from this private placement of $205,000 were allocated to share capital and $Nil to warrants using the residual method.

On March 9, 2023, the Company issued 3,000,000 units at a price of $0.05 per unit for proceeds of $150,000. 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. Gross proceeds from the private placement of $108,000 were allocation to share capital and $42,000 to warrants using the residual method.

On March 9, 2023, the Company issued 1,200,000 common shares upon conversion of a $60,000 convertible loan with an arm’s length creditor.

On March 28, 2023, the Company issued 829,167 common shares with a fair value of $24,875 to settle accounts payable of $41,458 with an arm’s length creditor. On completion of the debt settlement, the Company recorded a gain on settlement in the amount of $16,583.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Transactions during the year ended May 31, 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 marketing services 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 1, 2021, the Company issued 75,000 shares at a price of $0.28 per share for marketing services of $21,000.

On December 20, 2021, the Company issued 434,783 shares at a price of $0.23 per share for a total of $100,000 related to the retail cannabis development permit for the Cambie store (Note 16a).

On February 1, 2022, the Company issued 168,000 shares at a price of $0.125 per share for marketing services of $21,000.

On February 9, 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.

8. 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	(140,000)	$0.64
Outstanding, May 31, 2023	1,450,000	$ 0.25

(Expressed in Canadian dollars)

8. STOCK OPTIONS (continued)

All of the options outstanding as of May 31, 2023 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as of May 31, 2023 was 0.74 years (May 31, 2022 – 1.68 years).

9. 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	(3,075,000)	0.48
Issued	8,150,000	0.12
Balance, May 31, 2023	10,150,000	$ 0.15

On May 31, 2023, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	$0.25	August 9, 2023
2,000,000	$0.20	June 3, 2024
2,000,000	$0.10	August 22, 2024
2,050,000	$0.10	December 1, 2024
2,100,000	$0.10	March 9, 2025
10,150,000		

The weighted average remaining contractual life of the warrants outstanding as at May 31, 2023, was 1.15 years.

10. DEPOSIT RECEIVED

In May 2023, the Company received a deposit for the potential sale of the Company's Vernon store. The closing of the sale was subject to a number of closing conditions which were not met by May 31, 2023 and accordingly the amounts received are recorded as a deposit received. On June 5, 2023, the potential sale was cancelled by the prospective purchaser. In August 2023, a termination agreement was reached and under which the deposit was settled net of costs and $25,000 was refunded to the prospective purchaser.

(Expressed in Canadian dollars)

11. 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 revenue 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 year ended May 31, 2023 and 2022, respectively:

	2023 $	2022 $
Revenue	542,459	545,986
Expenses	(1,436,117)	(1,311,091)

(b) Software and Licensing sales and expenses for the year ended May 31, 2023 and 2022, respectively:

	2023 $	2022 $
Revenue	1,152	–
Expenses	(146,418)	(113,875)

(c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the year ended May 31, 2023 and 2022, respectively:

	2023 $	2022 $
Retail sales	6,865,897	6,331,559
Retail inventory	(4,333,771)	(3,975,493)
Other expenses	(1,640,250)	(2,874,473)

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.

12. PRODUCT DEVELOPMENT COSTS

a) On-Track TV

The costs associated with development of the On-Track TV, which are included in expenses for the year ended May 31, 2023 and 2022, are as follows:

	2023 $	2022 $
Salary, wages and fees	53,123	46,511
Production costs	59,596	82,850
	112,719	129,361

(Expressed in Canadian dollars)

12. PRODUCT DEVELOPMENT COSTS (continued)

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 year ended May 31, 2023 and 2022, are as follows:

	2023 $	2022 $
Salary, wages and fees (management, programming and marketing)	–	–
Software development costs	18,460	97,475
	18,460	97,475

13. 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	216,712	224,100
Share-based compensation	–	66,500
	216,712	290,600

For the year ended May 31, 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

The amount due to related parties of $197,533 (2022 - $217,178) is comprised of the following:

At May 31, 2023, $28,527 (May 31, 2022 – $217,178) was owed to a significant shareholder and companies owned by the significant shareholder, who is also a director and officer, and to a company owned by his relative.

During the year ended May 31, 2023, the Company obtained a loan in the amount of $135,729 (US$100,000) from a director of the Company, which bears a simple annual interest rate of 6%, is guaranteed by the President of the Company, and repayable upon demand. As at May 31, 2023, total loan principal and accrued interest was $136,500.

During the year ended May 31, 2023, the Company obtained a loan in the amount of $49,675 from a company owned by a significant shareholder, which bears a simple annual interest rate of 10%, is unsecured, and repayable upon demand. During the year, the Company paid interest of $1,569 and principal of $17,169. As at May 31, 2023, total loan principal and accrued interest was $32,506.

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS (continued)

c) Related party transactions

During the year ended May 31, 2023, an amount of $1,290,106 (2022 - $1,698,427) 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 year ended May 31, 2023 and 2022 is as follows:

	2023 $	2022 $
Accounting and legal	37,650	140,650
Investor and finance development	153,960	118,685
Lease payments	24,000	10,000
Management fees	216,712	224,100
Office and miscellaneous	73,203	284,288
On-Track TV development costs	48,375	81,350
Research and development	204,275	229,750
Rent and parking	(14,156)	–
Software development costs	35,360	35,600
Subcontractors	66,110	149,375
Business development	96,853	113,175
Wages and benefits	347,764	181,454
Loss on termination of lease	–	130,000
	1,290,106	1,698,427

14. CAPITAL MANAGEMENT

As at May 31, 2023, the Company's capital currently consists of common shares, options and warrants for a total amount of ($403,539) (2022 – ($329,099)). 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.

15. LINE OF CREDIT

As at May 31, 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 May 31, 2023, and 2022.

(Expressed in Canadian dollars)

16. PRE-OPERATING COSTS

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. 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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, due to related parties, loans payable, and lease liabilities. 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:

	May 31, 2023 $	May 31, 2022 $
FVTPL (i)	20,800	279,058
Financial assets at amortized cost (ii)	40,181	47,945
Financial liabilities at amortized cost (iii)	(2,888,114)	(3,121,724)

(i) Cash and cash equivalents
(ii) Accounts receivable
(iii) Accounts payable, amounts due to related parties, loans payable, and lease liabilities

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.

(Expressed in Canadian dollars)

17. 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	May 31, 2023	May 31, 2022 $
Cash and cash equivalents	1	20,800	279,058

At May 31, 2023, cash of $20,800 (2022 - $279,058) is classified as Level 1. There were no transfers into or out of Level 2 or Level 3 during the year.

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 May 31, 2023:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable (excluding GST recoverable)	$ 40,181	-	-	40,181	40,181

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at May 31, 2023, the Company had a cash balance of $20,800 to settle current liabilities of $1,325,422. The Company manages its ability to meet its short-term obligations through the capital management described in Note 14. The Company has a working capital deficiency and requires additional financing to fund operations (see Note 1). The Company intends to meet its current obligations through funds to be raised via the private placement of shares and through related party loans. There can be no assurance of continued access to adequate equity funding.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Contractual undiscounted cash flow requirements for financial liabilities as at May 31, 2023 are as follows:

	<1 year $	2-5 Years $	Total $
Accounts payable and accrued liabilities	471,233	-	471,233
Due to related parties	197,533	-	197,533
Lease liabilities	432,363	1,562,692	1,995,055
Short-term loans	75,000	-	75,000
Government loan	60,000	-	60,000
Deposit payable	89,293	-	89,293
	1,325,422	1,562,692	2,888,114

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. The Company did not generate by revenues denominated in U.S. dollars or British pounds during the year ended May 31, 2023 (2022 – $nil) 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.

Price Risk

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

18. 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 May 31, 2023, an amount of $nil CEWS (2022 – $44,615) was credit to wage and benefits in the consolidated statements of operations and comprehensive loss, and no amount of CEWS was received during the year ended May 31, 2023 (2022 – $44,615). 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 May 31, 2023, an amount of $nil (2022 - $22,131) 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 year ended May 31, 2023, the Company recorded $nil (2022 - $22,131) of rent subsidy as a reduction to interest (2022 - $1,798) and $nil to depreciation (2022 - $20,333) expenses. There are no unfulfilled conditions and outstanding contingencies regarding the CERS.

19. LOANS

Canada Emergency Business Account (CEBA)

Due to the outbreak of the COVID-19 pandemic, the federal government of Canada introduced the Canada Emergency Business Account ("CEBA") which provides an interest-free loan ("CEBA loan") of $40,000 to eligible businesses. Repayment of $30,000 of the $40,000 loan balance on or before January 18, 2024 will result in a loan forgiveness of the remaining $10,000.

During the year ended May 31, 2021, the Company received $40,000 in accordance with the CEBA loan. In December 2020, the federal government of Canada introduced an expansion to the CEBA in the amount of $20,000 ("CEBA expansion") whereby eligible businesses can receive this amount in addition to the original $40,000. The Company received the $20,000 expansion to the CEBA loan in error as it is not considered a CCPC (Canadian Controlled Private Corporation). The $20,000 CEBA expansion is recorded as a current loan payable.

As at May 31, 2023, the Company had not made any repayments of the CEBA loan. Any loan balance remaining as at January 19, 2024 (or March 28, 2024 if a refinancing application is submitted prior to January 19, 2024) will be converted to a term loan with an interest rate of 5% per annum paid monthly effective January 19, 2024. The full balance must be repaid by no later than December 31, 2026.

(Expressed in Canadian dollars)

19. LOANS (continued)

Loan from a private investor

During the year, the Company received a loan of $75,000 from a third-party private investor which bears a simple annual interest rate of 10%, unsecured, with a maturity date of June 24, 2024. The proceeds of the loan are to be used for general working capital purposes. During the year, the Company accrued interest of $164 and paid principal of $nil.

20. CONVERTIBLE LOAN

On November 30, 2022, the Company entered into a convertible loan with an unrelated party in the amount of $60,000. The loan bears interest at 10% per annum, payable at $500 per month, and additional interest at 12.5% per annum payable through the issuance of common shares at a price of $0.05 per share, and 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%.

In connection with the issuance of the convertible loan, the Company evaluated the conversion option for derivative treatment under IAS 32, Financial Instruments: Presentation, and determined the loan conversion feature qualified as a derivative. Accordingly, the initial fair value of the conversion feature was determined to be $40,054 which was recorded as a derivative liability and the carrying value of the convertible loan was assessed at $19,946. On March 9, 2023, the Company settled the convertible loan through the issuance of 1,200,000 units at a price of $0.05 per unit for proceeds of $60,000. Upon the issuance of the units, the $40,054 derivative liability was transferred to equity. During the year ended May 31, 2023, the Company recorded accretion expense of $1,500 which was included in interest expense.

21. 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
Additions	419,922
Additions for sublease	162,506
Adjustments	46,471
Interest expense	151,358
Lease payments	(557,800)
Lease terminations	(285,489)
Balance at May 31, 2023	1,995,054
Less: current portion	(432,362)
	$ 1,562,692

(Expressed in Canadian dollars)

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

As at May 31, 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)
Balance at May 31, 2022	$ 1,979,253
Additions	419,922
Adjustments	46,134
Depreciation	(466,684)
Lease terminations	(268,560)
Balance at May 31, 2023	$ 1,710,067

22. NET INVESTMENT IN SUBLEASE

On April 20, 2023, the Company entered into a three-year sublease agreement with a third-party Trancevape Canada Inc. for a store premise located in North Vancouver. Trancevape pays fixed and variable lease costs estimated to be $4,876 per month for the first two years and $4,960 per month for the third year. At commencement of the sublease, the Company recognized an investment in sublease of $162,506 and derecognized ROU assets by $148,595. The reconciliation of the Company's net investment in store sublease for the year ended May 31, 2023 is as follows:

Balance, May 31, 2022	$	-
Addition to sublease		162,506
Interest income		647
Lease payments received		(4,397)
As at May 31, 2023		158,756

The future aggregate sublease payments to be received under the sublease as at May 31, 2023 is estimated to be $176,539 (2022 - $nil).

(Expressed in Canadian dollars)

23. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2023	**2022**
Canadian statutory income tax rate	27%	27%
Net loss before tax per financial statements	$ (824,115)	$ (2,469,685)
Income tax recoverable at statutory rate	222,510	666,815
Permanent differences and other	11,146	(17,093)
Differences in future tax rate	-	-
Unrecognized tax assets	(233,656)	(649,722)
Income tax recoverable	$ -	$ -

The tax effects of temporary differences that five rise to significant portions of the potential deferred tax assets are as follows:

	2023	**2022**
Deferred income tax assets:		
Non-capital loss carried forward	$ 6,556,233	$ 6,329,720
Property, equipment and other	133,917	117,617
Share issuance costs	17,695	26,852
	6,707,845	6,474,189
Less: unrecognized deferred tax assets	(6,707,845)	(6,474,189)
Net deferred income tax assets	$ -	$ -

(Expressed in Canadian dollars)

24. INCOME TAXES (continued)

The Company has approximately $24,282,343 in Canadian non-capital losses for tax purposes which may be used to reduce income taxes in future years and will expire as follows:

Year	Amount
2026	$ 834,329
2027	1,065,796
2028	1,255,435
2029	1,159,201
2030	980,292
2031	1,069,816
2032	1,039,129
2033	680,374
2034	885,536
2035	955,183
2036	1,278,023
2037	1,672,765
2038	1,023,436
2039	2,077,594
2040	1,617,204
2041	1,692,917
2042	4,156,380
2043	838,934
	$ 24,282,343

25. CONTINGENCIES

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.

26. SUBSEQUENT EVENTS

On June 15, 2023, the Company terminated the lease agreement for its Cannabis store located in Vernon and all inventory and equipment was transferred to the remaining three stores located at North Vancouver, Keremeos, and Cambie, BC, Canada.

On June 15, 2023, the Company received a loan of US$100,000 (CAD equivalent of $135,729) from a related party, which bears a simple annual interest of 10%, guaranteed by the President of the Company, and repayable upon demand for supporting general working capital purpose.