



**QUIZAM MEDIA CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED**  
**AUGUST 31, 2023 AND 2022**  
**(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 August 31, 2023 \$	As at May 31, 2023 \$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	57,397	20,800
Accounts receivable	37,318	40,181
Sales taxes recoverable	18,974	19,365
Prepaid expenses and deposits	77,478	77,217
Inventory (Note 3)	354,021	352,531
<b>Total current assets</b>	<b>545,187</b>	<b>510,094</b>
Investment in sub lease (Note 18)	158,756	158,756
Property and equipment (Note 4)	1,691,224	1,829,944
<b>Total assets</b>	<b>2,395,167</b>	<b>2,498,794</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	543,971	471,233
Deferred revenue	11,033	14,219
Due to related parties (Note 10)	353,097	197,533
Lease liabilities – Current (Note 17)	353,563	432,363
Loan payable – Current (Note 16)	75,000	75,000
Government Loan Payable (Note 15)	60,000	60,000
Deposit Received (Note 19)	–	89,293
<b>Total current liabilities</b>	<b>1,396,665</b>	<b>1,339,641</b>
Lease liabilities – Long-term (Note 17)	1,504,818	1,562,692
Loan payable – Long-term (Note 16)	–	40,000
<b>Total liabilities</b>	<b>2,901,482</b>	<b>2,902,333</b>
<b>EQUITY</b>		
Share capital (Note 5)	26,171,042	26,171,042
Contributed surplus	3,320,463	3,320,463
Deficit	(29,997,820)	(29,895,044)
<b>Total equity</b>	<b>(506,315)</b>	<b>(403,539)</b>
<b>Total liabilities and equity</b>	<b>2,395,167</b>	<b>2,498,794</b>

Nature and continuance of operations (Note 1)

Contingency (Note 13)

APPROVED ON BEHALF OF THE BOARD ON OCTOBER 30, 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 August 31, 2023	Three Months August 31, 2022
	\$	\$
<b>REVENUES</b>		
Retail sales	1,732,529	1,788,960
Training services and software sales	85,480	117,243
	<b>1,818,009</b>	<b>1,906,203</b>
<b>EXPENSES</b>		
Accounting and legal (Note 10)	29,102	32,291
Automobile	8,601	19,103
Bank charges and finance fees	78,461	39,389
Depreciation	109,466	134,573
Investor and finance development (Note 10)	38,250	60,370
Management fees (Note 10)	64,525	50,920
Office and miscellaneous (Note 10)	67,484	93,908
On-Track TV development costs (Note 9 and 10)	35,431	44,444
Regulatory fees	3,211	3,868
Research and development (Note 10)	83,611	61,985
Retail inventory (Note 3)	1,103,942	1,045,826
Subcontractors (Note 10)	47,622	89,639
Telephone and internet	6,467	6,048
Travel and business development (Note 10)	121,691	86,011
Wages and benefits (Note 10)	204,485	224,352
	<b>2,002,350</b>	<b>1,992,727</b>
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(184,340)</b>	<b>(86,524)</b>
<b>OTHER ITEMS</b>		
Gain on Termination of Lease	2,999	4,001
Gain on disposal of assets	36,191	–
Other income	42,375	–
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(102,776)</b>	<b>(82,523)</b>
<b>LOSS PER SHARE BASIC AND DILUTED</b>	<b>(0.00)</b>	<b>(0.00)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>39,154,801</b>	<b>30,408,113</b>

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

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

(Expressed in Canadian dollars)

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	Three Months August 31, 2023 \$	Three Months August 31, 2022 \$
<b>OPERATING ACTIVITIES</b>		
Net loss	(102,776)	(82,523)
Add back non-cash items:		
Depreciation	109,466	134,573
Gain from sale of assets	36,191	–
Gain from termination of leases	2,999	(4,001)
Other Income	42,375	–
Lease interest expense	38,679	33,974
	(36,195)	(82,023)
Changes in non-cash working capital items:		
Accounts receivable	2,863	733
Prepaid expenses and deposits	(261)	(1,592)
Sales taxes recoverable	391	13,659
Inventory	(1,490)	(6,785)
Accounts payable and accrued liabilities	72,738	(95,191)
Due to related parties	155,564	(211,471)
Deferred revenue	3,186	(7,859)
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(190,425)</b>	<b>(226,483)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares, net	–	289,800
Lease payments	(137,259)	(134,708)
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>(137,259)</b>	<b>155,902</b>
<b>INVESTING ACTIVITIES</b>		
Films in progress	–	(50,000)
Disposal (Acquisition) of property and equipment	25,695	(5,524)
Deposit paid	(42,264)	
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(16,569)</b>	<b>(55,524)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>36,597</b>	<b>(126,915)</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING</b>	<b>20,800</b>	<b>279,058</b>
<b>CASH AND CASH EQUIVALENTS – ENDING</b>	<b>57,397</b>	<b>152,143</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	–	–
Income tax paid	–	–

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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 AUGUST 31, 2023 AND 2022**

(Expressed in Canadian dollars)

	Number of Common Shares	Amount \$	Contributed Surplus \$	Share Subscriptions Received \$	Deficit \$	Total \$
<b>As at May 31, 2022</b>	<b>25,277,678</b>	<b>25,313,167</b>	<b>3,278,463</b>	<b>150,200</b>	<b>(29,070,929)</b>	<b>(329,099)</b>
Units issued for cash	8,000,000	440,000	–	(150,200)	–	289,800
Net loss for the period	–	–	–	–	(82,523)	(82,523)
<b>As at August 31, 2022</b>	<b>33,277,678</b>	<b>25,753,167</b>	<b>3,278,463</b>	<b>–</b>	<b>(29,153,452)</b>	<b>(121,822)</b>
<b>As at May 31, 2023</b>	<b>42,906,845</b>	<b>26,171,042</b>	<b>3,320,463</b>	<b>–</b>	<b>(29,895,044)</b>	<b>(403,539)</b>
Net loss for the year	–	–	–	–	(102,776)	(102,776)
<b>As at August 31, 2023</b>	<b>42,906,845</b>	<b>26,171,042</b>	<b>3,320,463</b>	<b>150,200</b>	<b>(29,997,820)</b>	<b>(506,315)</b>

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

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2023 AND 2022**  
(Expressed in Canadian dollars)

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**1. CORPORATE INFORMATION, NATURE AND CONTINUANCE OF OPERATIONS**

Quizam Media Corporation (the “Company”) was incorporated on September 15, 2000 under the provisions of the Company Act of British Columbia. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “QQ”. The Company’s shares are also listed on OTC Markets Group (OTCQB) under the symbol “QQQFF”. The Company’s principal business activities consist of providing computer training and consulting services, marketing of a computer based educational program, film production, consulting services and cannabis retail sales. The Company has operated retail cannabis dispensaries since November 2019. The address of the Company’s corporate office and its principal place of business is Suite 650 – 609 Granville Street, Vancouver, BC, V7Y 1G6.

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has a history of significant losses, sizeable, accumulated deficits and negative cash flows from operations. These factors form a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent on completing equity financings, obtaining support from related parties or generating consistent profitable operations in the future. These interim consolidated financial statements do not include any adjustments related to the recoverability of assets and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company’s operations related to in-class training could continue to be significantly adversely affected by the effects of a COVID-19 pandemic. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Statement of Compliance and Basis of Presentation*

These interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, On-Track Computer Training Ltd., Quizam Entertainment LLC and Quantum 1 Cannabis Corp. All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, have been eliminated on consolidation.

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

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

**3. INVENTORY**

a) Inventory is comprised of the following:

	August 31, 2023 \$	May 31, 2023 \$
Finished goods	354,021	352,531
Less: inventory write-down	–	–
<b>Total inventory (lower of cost and NRV)</b>	<b>69,680</b>	<b>269,680</b>

Finished goods in the retail inventory expense for three months August 31, 2023 amounted to \$1,103,942 (2022 – \$1,045,826). The reserve for impaired inventory is based on management estimates, past experience, condition of the inventory and regulatory changes.

**4. PROPERTY AND EQUIPMENT**

a) Continuity tables:

<b>Cost</b>	<b>Computer Hardware</b>	<b>Furniture and Fixtures</b>	<b>Leasehold Improvements</b>	<b>Library</b>	<b>Right-of-use Assets</b>	<b>Total</b>
As at May 31, 2022	\$ 437,309	\$ 199,162	\$ 176,659	\$ 6,751	\$ 2,784,441	\$ 3,604,321
Additions	4,510	18,627	–	–	226,012	249,150
Lease terminations	–	(5,998)	(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
Additions	4,333	1,609	–	–	–	5,943
Lease terminations	–	–	–	–	(133,800)	(133,800)
As at August 31, 2023	\$ 446,152	\$ 213,410	\$ 160,507	\$ 6,751	\$ 2,727,931	\$ 3,554,752

**Accumulated Depreciation**

As at May 31, 2022	\$ 428,095	\$ 120,223	\$ 108,217	\$ 5,953	\$ 805,194	\$ 1,467,682
Depreciation <sup>(a)</sup>	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	\$ 1,852,665
Depreciation <sup>(a)</sup>	1,872	5,843	3,548	100	98,203	109,567
Lease terminations	–	–	–	–	(98,705)	(98,705)
As at August 31, 2023	\$ 435,913	\$ 146,828	\$ 124,054	\$ 6,452	\$ 1,150,280	\$ 1,863,527

**Carrying Amounts**

Balance, May 31, 2023	\$ 7,778	\$ 70,816	\$ 40,001	\$ 399	\$ 1,710,949	\$ 1,829,944
Balance, August 31, 2023	\$ 10,239	\$ 66,582	\$ 36,454	\$ 299	\$ 1,577,651	\$ 1,691,224

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2023 AND 2022**

(Expressed in Canadian dollars)

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**4. PROPERTY AND EQUIPMENT (continued)**

b) Total depreciation expense

Total depreciation expense for the year relating to right-of-use assets was \$98,203 (2022 - \$119,584) which is presented in depreciation expense of \$109,466 (2022 - \$134,573). In the consolidated statement of operations and comprehensive loss.

**5. SHARE CAPITAL**

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

a) *There were no transactions during the three months ended August 31, 2023.*

b) *Transactions during the three months ended August 31, 2022:*

c) 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.

d) 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.

**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.



**QUIZAM MEDIA CORPORATION**  
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(Expressed in Canadian dollars)

**6. STOCK OPTIONS (continued)**

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

	Number of Underlying Shares	Weighted Average Exercise Price
Outstanding, May 31, 2022	1,590,000	\$ 0.28
Granted	–	–
Expired/Cancelled	(140,000)	\$ 0.64
Outstanding, May 31, 2023	1,450,000	\$ 0.25
Granted	–	–
Expired/Cancelled	–	–
<b>Outstanding, August 31, 2023</b>	<b>1,450,000</b>	<b>\$ 0.28</b>

All of the options outstanding at August 31, 2023 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as at August 31, 2023 was 0.48 years. (May 31, 2023 – 0.74 years)

**7. SHARE PURCHASE WARRANTS**

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

	Number of Underlying Shares	Weighted Average Exercise Price
Balance, May 31, 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
Expired	–	–
Exercised	–	–
Issued	–	–
<b>Balance, August 31, 2023</b>	<b>10,150,000</b>	<b>\$ 0.15</b>

At August 31, 2023, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	\$0.25	February 09,2024
2,000,000	\$0.20	June 04, 2024
2,000,000	\$0.10	August 20, 2024
2,050,000	\$0.10	December 02, 2024
2,100,000	\$0.10	March 11,2025
<b>10,150,000</b>		

The weighted average remaining contractual life of the warrants outstanding as at August 31, 2023, was 1.00 years.

**QUIZAM MEDIA CORPORATION**  
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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 three months ended August 31, 2023 and 2022, respectively:

	2023	2022
	\$	\$
Revenue	194,100	117,243
Expenses	(306,964)	(383,497)

- (b) Software and Licensing sales and expenses for the three months ended August 31, 2023 and 2022, respectively:

	2023	2022
	\$	\$
Revenue	–	–
Expenses	–	–

- (c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the three months ended August 31, 2023 and 2022, respectively:

	2023	2022
	\$	\$
Retail sales	1,732,529	1,788,960
Cost of goods sold	(1,103,942)	(1,045,826)
Other expenses	(281,282)	(342,381)

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**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2023 AND 2022**

(Expressed in Canadian dollars)

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**9. PRODUCT DEVELOPMENT COSTS**

(a) On-Track TV

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

	2023	2022
	\$	\$
Salary, wages and fees	16,206	13,744
Production costs	4,500	30,700
	6,945	44,444

(b) Quizam software

The costs associated with development of the Quizam educational software, which are included in the consolidated statement of operations and comprehensive loss for the three months ended August 31, 2023 and 2022, are as follows:

	2023	2022
	\$	\$
Salary, wages and fees (management, programming and marketing)	–	–
Software development costs	–	–
	–	–

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**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	69,144	50,050
Share-based compensation	–	–
	<u>69,144</u>	<u>50,050</u>

For the three months ended August 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**

At August 31, 2023, \$353,097 (May 31, 2023 – \$197,533) is comprised of the following:

At August 31, 2023, \$2,241 (May 31, 2023 – \$28,527) 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 August 31, 2023, an amount of \$344,403 (2022 - \$304,048) was included in expenses for services provided by companies owned by a significant shareholder, who is also a director and officer, and immediate family of the significant shareholder. The breakdown of expenses included in the consolidated statement of operations and comprehensive loss is as follows:

	2023 \$	2022 \$
Accounting and legal	–	28,200
Investor and finance development	38,150	59,870
Lease payments	6,000	–
Management fees	69,144	50,050
Office and miscellaneous	16,970	24,218
On-Track TV development costs	–	30,700
Research and development	93,050	43,750
Software development costs	–	–
Subcontractors	–	48,985
Business development	32,495	18,275
Wages and benefits	88,594	–
	<u>344,403</u>	<u>304,048</u>

**QUIZAM MEDIA CORPORATION**  
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**11. CAPITAL MANAGEMENT**

The Company's capital currently consists of common shares, options and warrants for a total amount of (\$506,315) at August 31, 2023 (May 31, 2023 – (\$403,539)). The Company's principal source of capital is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital funding to be able to meet the Company's educational software development, internet training development and film production, retain cannabis operation and to ensure the growth of activities. The Company is not subject to external capital requirements.

**12. LINE OF CREDIT**

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

**13. COMMITMENTS AND CONTINGENCIES**

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..

**QUIZAM MEDIA CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**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:

	August 31, 2023 \$	May 31 2023 \$
FVTPL (i)	57,397	20,800
Financial assets at amortized cost (ii)	37,318	40,181
Financial liabilities at amortized cost (iii)	(2,890,449)	(2,888,114)

- (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	August 31, 2023 \$	May 31, 2023 \$
Cash and cash equivalents	1	57,397	20,800

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 August 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)	\$ 37,318	–	–	–	37,318

*Liquidity Risk*

The Company manages its ability to meet its short-term obligations through the capital management described in Note 11. The Company has a working capital deficit and requires additional financing to fund operations.

*Foreign Exchange Risk*

As the Company generates a portion of its revenues in the U.S. and the United Kingdom, the Company's foreign exchange risk arises with respect to the U.S. dollar and the British pound. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. The Company did not generate revenues are denominated in U.S. dollars or British pounds during the three months ended August 31, 2023 (2022 –\$ nil) while a significant amount of the Company's expenses is 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.

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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 August 31, 2023, an amount of \$nil CEWS (2022 – \$nil) 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 August 31, 2023 (2022 – \$nil). 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 August 31, 2023, an amount of \$nil (2022 - \$nil) 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 three months ended August 31, 2023, the Company recorded \$nil (2022 - \$nil) of rent subsidy as a reduction to interest \$nil (2022 - \$nil) and \$nil to depreciation (2022 - \$nil) expenses. There are no unfulfilled conditions and outstanding contingencies regarding the CERS.



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**16. 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 August 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.

**17. 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, 2022	2,058,086
Additions	5,524
Interest expense	137,094
Lease terminations	0
Less: rental subsidy	0
Lease payments	(46,437)
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Balance at May 31, 2023	1,995,054
Additions	0
Interest expense	38,679
Lease terminations	(42,590)
Less: rental subsidy	0
Lease payments	(137,259)
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Balance at August 31, 2023	1,858,381
Less: current portion	(353,563)
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	1,504,818

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

As at August 31, 2023, the balance of the right-of-use asset is as follows:

Balance at May 31, 2022	\$ 1,979,253
Addition	419,922
Adjustments	46,134
Lease terminations	(268,560)
Depreciation	(466,684)
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Balance at May 31, 2023	\$ 1,710,067
Addition	0
Lease terminations	(35,095)
Depreciation	(98,203)
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Balance at August 31, 2023	<u>\$ 1,577,651</u>

**18. 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)
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As at May 31, 2023	<u>158,756</u>

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

**19. 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. The difference between the cash received and the settlements including expenses recognised as a gain in the consolidated statement of operations and comprehensive loss for the period ending August 31, 2023.