



QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2024 AND 2023

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 (together, the Company) which comprise:

- the consolidated statements of financial position as at May 31, 2024 and 2023;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in deficiency for the years then ended; and
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2024 and 2023, and its consolidated financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit 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 consolidated financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty 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 most significance in our audit of the consolidated financial statements for the year ended May 31, 2024. These matters were addressed in the context of our audit of the consolidated 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 matters to be communicated in our auditors' report are 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) – Summary of Material Accounting Policies.

The Company generates revenue primarily from the retail sale of cannabis products and from other sources including software training services. The Company recognized total revenue of \$6,981,391 for the year ended May 31, 2024.

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 policies for the recognition of revenue for compliance with the requirements of accounting standards
- Reconciled 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
- Testing the completeness of revenues considering daily sales reporting and course date tracking

Other Information

Management is responsible for the other information. The other information comprises the Company's Management Discussion and Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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 consolidated 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
October 1, 2024

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**(Expressed in Canadian dollars)

	As at May 31, 2024 \$	As at May 31, 2023 \$
ASSETS		
Current		
Cash and cash equivalents	196,362	20,800
Accounts receivable	45,084	40,181
Due from related parties (Note 13)	204,137	-
Sales taxes recoverable	32,107	19,365
Prepaid expenses	41,420	42,217
Inventory (Note 5)	240,972	352,531
Total current assets	760,082	475,094
Security deposit	35,000	35,000
Investment in sublease (Note 20)	111,034	158,756
Property and equipment (Note 6)	1,442,529	1,829,944
Total assets	2,348,645	2,498,794
LIABILITIES		
Current		
Accounts payable and accrued liabilities	595,443	471,233
Deferred revenue	38,605	14,219
Due to related parties (Note 13)	-	28,527
Loans payable to related parties (Note 13)	737,947	169,006
Lease liabilities – (Note 19)	455,453	432,363
Loan payable (Note 17)	-	75,000
Government loan payable (Note 17)	-	60,000
Deposit received (Note 10)	-	89,293
Total current liabilities	1,827,448	1,339,641
Lease liabilities – Long-term (Note 19)	1,154,606	1,562,692
Total liabilities	2,982,054	2,902,333
DEFICIENCY		
Share capital (Note 7)	26,651,042	26,171,042
Reserves	3,320,463	3,320,463
Deficit	(30,604,914)	(29,895,044)
Total deficiency	(633,409)	(403,539)
Total liabilities and deficiency	2,348,645	2,498,794

Going concern (Note 1)
Contingencies (Note 22)

APPROVED ON BEHALF OF THE BOARD ON OCTOBER 1, 2024

/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, 2024 \$	Year Ended May 31, 2023 \$
REVENUES		
Retail sales	6,687,813	6,865,897
Training services and software sales	293,578	543,611
	6,981,391	7,409,508
EXPENSES		
Accounting and legal (Note 13)	207,273	183,607
Automobile	29,622	33,800
Bank charges and finance fees	317,068	289,206
Depreciation	444,867	516,568
Investor and finance development (Note 13)	86,351	178,826
Management fees (Note 13)	212,822	256,519
Office and miscellaneous (Note 13)	189,736	217,220
On-Track TV development costs (Note 11 and 12)	17,333	127,140
Regulatory fees	18,669	21,402
Research and development (Note 13)	334,065	256,320
Retail inventory (Note 5)	4,393,828	4,478,266
Software development costs (Note 12)	-	20,317
Subcontractors (Note 13)	151,522	287,747
Telephone and internet	27,168	29,655
Travel and business development (Note 13)	648,806	578,576
Wages and benefits (Note 13)	829,920	830,676
	7,909,050	8,305,845
LOSS BEFORE OTHER ITEMS	(927,659)	(896,337)
OTHER ITEMS		
Interest income	9,660	948
Gain on termination of leases	4,764	4,001
Gain on termination of Vernon store	36,191	-
Gain on sublease (Note 20)	-	13,911
Gain on settlement of debt	-	21,583
Loan forgiveness (Note 17)	20,000	-
Other income	147,174	31,779
NET LOSS AND COMPREHENSIVE LOSS	(709,870)	(824,115)
LOSS PER SHARE BASIC AND DILUTED	(0.01)	(0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	47,939,632	35,785,258

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, 2024 \$	Year Ended May 31, 2023 \$
OPERATING ACTIVITIES		
Net loss	(709,870)	(824,115)
Add back non-cash items:		
Depreciation	444,867	516,568
Gain on settlement of debt	-	(21,583)
Gain from termination of leases	(4,764)	(4,001)
Investment in sublease	(1,399)	(158,756)
Gain on termination of Vernon store	(36,191)	-
Loan forgiveness (Note 17)	(20,000)	-
Gain on sublease	-	(13,911)
Interest income on sublease	(9,660)	(647)
Lease interest expense	145,923	151,358
	(191,094)	(355,087)
Changes in non-cash working capital items:		
Accounts receivable	(4,903)	7,764
Prepaid expenses and deposits	797	9,888
Sales taxes recoverable	(12,742)	(17,811)
Inventory	111,559	(82,851)
Accounts payable	124,210	(293,644)
Due to (due from) related parties	(232,664)	(188,651)
Deferred revenue	24,386	(15,144)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(180,451)	(935,536)
FINANCING ACTIVITIES		
Issuance of common shares, net	402,303	644,800
Shares issued on conversion of debt	2,697	135,000
Loans received (repayments)	(40,000)	44,875
Loans payable to related parties	568,941	169,006
Lease payments	(497,610)	(557,800)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	436,331	435,881
INVESTING ACTIVITIES		
Disposal (purchase) of property and equipment	(27,216)	152,104
Deposits received (refunded)	(53,102)	89,293
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(80,318)	241,397
DECREASE IN CASH AND CASH EQUIVALENTS	175,562	(258,258)
CASH AND CASH EQUIVALENTS – BEGINNING	20,800	279,058
CASH AND CASH EQUIVALENTS – ENDING	196,362	20,800

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

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY****FOR THE YEAR ENDED MAY 31, 2024 AND 2023**(Expressed in Canadian dollars)

	Number of Common Shares	Amount \$	Reserves \$	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 on debt settlement	1,329,167	44,875	-	-	-	44,875
Comprehensive 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)
As at May 31, 2023	42,906,845	26,171,042	3,320,463	-	(29,895,044)	(403,539)
Private placement of units	13,410,100	402,303	-	-	-	402,303
Shares issued for debt conversion	2,589,900	77,697	-	-	-	77,697
Comprehensive loss for the year	-	-	-	-	(709,870)	(709,870)
As at May 31, 2024	58,906,845	26,651,042	3,320,463	-	(30,604,914)	(633,409)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2024 AND 2023

(Expressed in Canadian dollars)

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. For the year ended May 31, 2024, the Company incurred a loss of \$709,870 (2023 – \$ 824,115), a working capital deficiency of \$1,067,366 (2023 – \$864,547) and had an accumulated deficit of \$30,604,914 (2023 – \$29,895,044). 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 IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Board of Directors on October 1, 2024.

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.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MAY 31, 2024 AND 2023**

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

	Principal activity	Place of incorporation and operation	Ownership interest May 31, 2024	May 31, 2023
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2024 AND 2023

(Expressed in Canadian dollars)

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 require 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.

k) Renewal period for leases

The Company defines the lease term as the non-cancellable duration of the lease, including any periods covered by options to extend if it is reasonably certain they will be exercised, or options to terminate if it is reasonably certain they will not be exercised. Several of the Company's lease agreements include such extension and termination options. The Company uses judgment to assess whether it is reasonably certain to exercise these options, taking into account all relevant factors that may create economic incentives for renewal or termination. After the lease commencement date, the Company reassesses the lease term if significant events or changes in circumstances arise that are within its control and may impact its decision to exercise the renewal or termination options.

4. SUMMARY OF MATERIAL 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2024 AND 2023

(Expressed in Canadian dollars)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 payable

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

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 and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2024 AND 2023

(Expressed in Canadian dollars)

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

h) Revenue recognition (continued)

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.

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 probable.

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 MATERIAL ACCOUNTING POLICIES (continued)

j) Share-based compensation

The Company records all share-based compensation at its estimated 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.

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 the contractual provisions of these instruments. Financial instruments were 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 MATERIAL 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 receivables are measured at amortized cost.

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 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). The company's financial liabilities of accounts payable, due to related parties and loans payable are classified as measured at amortized cost.

4. SUMMARY OF MATERIAL 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.

The Company applies the practical expedient in IFRS 16.15, electing not to separate non-lease components from lease components. Instead, the Company accounts for each lease component together with its associated non-lease components as a single lease component, in accordance with IFRS 16.

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 MATERIAL 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, determined 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 debentures 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 AND AMMENDMENTS ISSUED

The Company has adopted new standards and amendments for the first time, which became effective for the Company's annual periods starting on or after June 1, 2023.

Amendment to IAS 1 – Disclosure of Accounting Policies.

Issued by the IASB in February 2021, these amendments provide clarity on implementing the materiality concept in disclosing accounting policies. The key changes introduced are:

- The requirement for entities to disclose their material accounting policies, shifting the focus from significant accounting policies.
- A clarification that accounting policies concerning transactions, events, or conditions that are immaterial do not require disclosure.
- An explanation that not every accounting policy related to material transactions, events, or conditions is necessarily material itself.

The Company has reviewed its previously reported significant accounting policies and now regards them as material accounting policies. Additionally, certain accounting policies previously reported and now deemed immaterial by the Company have been omitted from the financial statements.

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ACCOUNTING STANDARDS AND AMMENDMENTS ISSUED (continued)

Amendment to IAS 8 – Defining Accounting Estimates

In February 2021, the IASB updated IAS 8 to include a specific definition of ‘accounting estimates. The amendment elucidates the differences between adjustments in accounting estimates and alterations in accounting policies, as well as error rectifications. They further detail the methods and inputs entities should employ to formulate accounting estimates. The Company has not had any changes in accounting policies or changes in accounting estimates during the year ended May 31, 2024.

Apart from these, the Company has not implemented any other standards, interpretations, or amendments that have been published but are not yet in effect.

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5. INVENTORY

Inventory is comprised of the following

	May 31, 2024	May 31, 2023
	\$	\$
Finished goods	289,760	379,401
Less: Inventory write-down	(48,788)	(26,870)
Total Inventory (lower of cost and NRV)	240,972	352,531

The retail inventory expense for the year ended May 31, 2024 amounted to \$4,393,828 (2023 – \$4,478,206) which represents 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, 2024, the Company recorded an inventory write-down in the amount of \$48,788 (2023 - \$26,870) 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 (Note 19)	Total
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	249,149
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
Additions	11,866	9,230	9,871	-	64,516	95,483
Lease terminations	-	-	-	-	(133,800)	(133,800)
As at May 31, 2024	453,685	\$ 221,031	\$ 170,378	\$ 6,751	\$ 2,792,447	3,644,292

Accumulated Depreciation

As at May 31, 2022	428,095	\$ 120,223	\$ 108,217	\$ 5,953	\$ 805,194	1,467,682
Additions	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
Additions	6,938	23,463	15,181	399	398,886	444,867
Lease terminations	-	-	-	-	(95,769)	(95,769)
As at May 31, 2024	440,979	\$ 164,448	\$ 135,686	\$ 6,751	\$ 1,453,899	2,201,764

Carrying Amounts

As at May 31, 2023	7,778	\$ 70,816	\$ 40,002	\$ 399	\$ 1,710,949	1,829,944
As at May 31, 2024	12,706	\$ 56,583	\$ 34,692	\$ -	\$ 1,338,548	1,442,529

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6. PROPERTY AND EQUIPMENT (continued)

a) Total depreciation expense

Total depreciation expense for the year relating to right-of-use assets was \$ 398,886 (2023 - \$466,684) which is presented in depreciation expense of \$444,867 (2023 - \$516,568) 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, 2024:

On December 12, 2023, the Company issued 7,410,100 units at a price of \$0.03 per unit for proceeds of \$222,303. 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 \$0.15 per share. The Company's CEO subscribed for 1,600,000 units. Gross proceeds from this private placement of \$222,303 were allocated to share capital and \$Nil to warrants using the residual method.

On December 12, 2023, the Company issued 2,589,900 units at \$0.03 per unit to settle \$75,000 of debt with an arm's length creditor. Each unit included one common share and one-half of a share purchase warrant, with each whole warrant exercisable at \$0.15 per share for 24 months. At issuance, the market value of the shares was \$77,697, with a \$2,697 bonus paid to the creditor upon loan conversion.

On May 10, 2024, the Company issued 6,000,000 units at a price of \$0.03 per unit for proceeds of \$180,000. 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 \$0.15 per share. The Company's CEO subscribed for 1,000,000 units. Gross proceeds from this private placement of \$180,000 were allocated to share capital and \$Nil to warrants using the residual method.

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.

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7. SHARE CAPITAL (continued)***Transactions during the year ended May 31, 2023 (continued)***

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.

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, 2022	1,590,000	\$ 0.28
Expired/Cancelled	(140,000)	\$ 0.64
Outstanding, May 31, 2023	1,450,000	\$ 0.25
Expired/Cancelled	(1,450,000)	\$ 0.25
Outstanding, May 31, 2024	-	

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, 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	(2,000,000)	\$ 0.25
Issued	8,000,000	\$ 0.15
Balance, May 31, 2024	16,150,000	\$ 0.14

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9. SHARE PURCHASE WARRANTS (continued)

On May 31, 2024, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
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
5,000,000	\$0.15	December 12, 2025
3,000,000	\$0.15	May 10, 2026
16,150,000		

The weighted average remaining contractual life of the warrants outstanding as at May 31, 2024, was 1.03 years.

10. DEPOSIT RECEIVED

In May 2023, the Company received a deposit for the potential sale of its Vernon store. The sale was subject to several closing conditions, which were not met by May 31, 2023, and the deposit was recorded as a liability. On June 5, 2023, the prospective purchaser canceled the sale. In August 2023, a termination agreement was reached, settling the full liability for \$25,000, which was refunded to the purchaser. As of May 31, 2024, no outstanding amounts remained related to this transaction.

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, 2024 and 2023, respectively:

	2024	2023
	\$	\$
Revenue	293,578	542,459
Expenses	(1,320,019)	(1,436,117)

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11. SEGMENTED INFORMATION (continued)

(b) Software and Licensing sales and expenses for the year ended May 31, 2024 and 2023, respectively:

	2024	2023
	\$	\$
Revenue	-	1,152
Expenses	(87,850)	(146,418)

(c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the year ended May 31, 2024 and 2023, respectively:

	2024	2023
	\$	\$
Retail sales	6,687,813	6,865,897
Retail inventory	(4,393,828)	(4,478,206)
Other expenses	(1,115,591)	(1,495,815)

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-TrackTV

The costs associated with development of the On-Track TV, which are included in expenses for the year ended May 31, 2024 and 2023, are as follows:

	2024	2023
	\$	\$
Salary, wages and fees	17,334	53,123
Production costs	4,500	59,596
	21,834	112,719

(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, 2024 and 2023, are as follows:

	2024	2023
	\$	\$
Software development costs	-	20,317
	-	20,317

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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:

	2024	2023
	\$	\$
Management fees	266,385	216,712
	<u>266,385</u>	<u>216,712</u>

For the year ended May 31, 2024 and 2023, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

(b) Amounts due from related parties

The amount due from related parties of \$204,137 (2023 - \$28,527 payable to related parties) is comprised of the following:

As of May 31, 2024, \$178,814 was due from (May 31, 2023 - \$28,527 was due to) a significant shareholder and companies owned by the shareholder, who is also a director and officer, and from a company owned by his relative. The amounts are non-interest bearing and due on demand.

As of May 31, 2024, \$1,692 was due from a company owned by a significant shareholder's close family member, and \$23,631 was due from the significant shareholder's close family members. The amounts are non-interest bearing and due on demand.

(c) Loans payable to related parties

The amount of loans payable to related parties of \$737,947 (May 31, 2023 - \$169,006) and is comprised of the following:

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, 2024, total loan principal was \$136,500 (May 31, 2023 - \$ 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's close family member, which bears a simple annual interest rate of 10%, is unsecured and guaranteed by the President of the Company, and repayable within 60 days of demand. During the year ended May 31, 2024, the Company secured an additional loan of \$311,177 at the same interest rate and paid \$7,572 in interest. During fiscal 2024, the Company charged back expenses as loan payments totalling \$271,422. These expenses include, but are not limited to, rent, accounting services, parking, travel, and cellphone costs. The ending loan amount outstanding as at May 31, 2024 was \$ 80,932 (May 31, 2023 - \$32,506).

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13. RELATED PARTY TRANSACTIONS (continued)

During the year ended May 31, 2024, the Company obtained a USD \$370,000 loan from a company owned by a shareholder's close family member. The loan bears a simple annual interest rate of 10%, is unsecured and guaranteed by the President of the Company, and repayable on demand. Total payments made by the Company during the year was USD \$1,698 and total interest accrued for the period was \$13,308. As of May 31, 2024, the total outstanding loan balance was USD \$381,610, converted to CAD \$520,515 using the year-end exchange rate.

(d) Related party transactions

During the year ended May 31, 2024, an amount of \$938,062 (2023 - \$1,290,106) 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, 2024 and 2023 is as follows:

	2024	2023
	\$	\$
Accounting and legal	(9,254)	37,650
Investor and finance development	61,087	153,960
Management fees	266,385	216,712
Lease payments	24,000	24,000
Office and miscellaneous	63,178	70,003
On-Track TV development costs	-	48,375
Retail inventory cost	83,233	60,063
Research and development	314,050	204,275
Rent and parking	(134,755)	(14,156)
Software development costs	-	35,360
Subcontractors	9,490	66,110
Business development	233,683	96,853
Wages and benefits	26,965	290,901
	<u>938,062</u>	<u>1,290,106</u>

14. CAPITAL MANAGEMENT

As at May 31, 2024, the Company's capital currently consists of common shares, options and warrants for a total amount of (\$633,409) (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.

QUIZAM MEDIA CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MAY 31, 2024 AND 2023**

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15. LINE OF CREDIT

As at May 31, 2024, 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, 2024, and 2023.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, due to related parties and loans payable. 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, 2024 \$	May 31, 2023 \$
FVTPL (i)	196,362	20,800
Financial assets at amortized cost (ii)	249,221	40,181
Financial liabilities at amortized cost (iii)	(1,196,986)	(668,766)

(i) Cash and cash equivalents

(ii) Accounts receivable and amounts due from related parties

(iii) Accounts payable, amounts due to related parties and loans 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	May 31, 2024 \$	May 31, 2023 \$
Cash and cash equivalents	1	196,362	20,800

At May 31, 2024, cash of \$196,362 (2023 - \$20,800) is classified as Level 1. There were no transfers into or out of Level 2 or Level 3 during the year.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 creditor 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, 2024:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable (excluding GST recoverable)	\$ 27,781	-	-	17,303	45,084

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, 2024, the Company had a cash balance of \$196,362 to settle current liabilities of \$1,827,448. 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.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Contractual undiscounted cash flow requirements for financial liabilities as at May 31, 2024 are as follows:

	<1 Year \$	2-5 Years \$	Total \$
Accounts payable and accrued liabilities	595,443	-	595,443
Loans payable to related parties	737,947	-	737,947
Lease liabilities	455,453	1,154,606	1,610,059
	<u>1,788,843</u>	<u>1,154,606</u>	<u>2,943,449</u>

Foreign Exchange Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to exchange risk as some of its cash and related party loans are denominated in US dollars. These factors expose the Company to foreign currency exchange rate risk, which could have an adverse effect on the profitability of the Company. As at May 31, 2024, the Company had net monetary liabilities of approximately \$541,158 denominated in US dollars of US \$405,250. A 10% increase in the US dollar to Canadian dollar exchange rate would impact the Company's net loss by approximately \$50,000 and a 10% decrease by \$61,000. At this time, the Company currently does not have plans to enter into foreign currency future contracts to mitigate this risk.

Price Risk

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

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17. LOANS

Canada Emergency Business Account (CEBA)

In response to the COVID-19 pandemic, the Government of Canada introduced the Canada Emergency Business Account (CEBA), offering an interest-free loan of \$40,000 to eligible businesses. In December 2020, the government expanded the CEBA by an additional \$20,000, allowing eligible businesses to access this amount on top of the original \$40,000. If the \$40,000 was repaid by January 18, 2024, the remaining \$20,000 would be forgiven.

During the year ended May 31, 2021, the Company received \$60,000 under the CEBA program of which the \$20,000 expansion was recorded as a current loan payable.

During the year ended May 31, 2024, the Company repaid the \$40,000 loan before the required deadline, resulting in the forgiveness of the remaining \$20,000 balance.

Loan from a private investor

During the year financial year ended May 31, 2023, 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 paid interest of \$3,750 and paid principal of \$nil. On December 12, 2023, the company entered into a shares-for-debt agreement totalling \$77,697 with the party to settle outstanding debt through the issuance of 2,589,900 units of common shares for \$0.03 per share (see note 7).

18. 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.

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19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of use assets and lease liabilities consists of leases for office space and storefront locations. The lease liabilities have been discounted using a 7% interest rate.

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
Adjustments	66,913
Interest expense	145,923
Lease payments	(556,392)
Lease terminations	(41,439)
Balance at May 31, 2024	\$ 1,610,059
Less: current portion	(455,453)
	\$ 1,154,606

The continuity of right-of-use assets is as follows

Balance at May 31, 2022	\$ 1,979,253
Additions	419,922
Adjustments	47,018
Depreciation	(466,684)
Lease terminations	(268,560)
Balance at May 31, 2023	1,710,949
Adjustments	64,516
Depreciation	(398,886)
Lease terminations	(38,031)
Balance at May 31, 2024	1,338,548

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20. NET INVESTMENT IN SUBLEASE

On April 20, 2023, the Company entered into a three-year sublease agreement with a third-party leasee for a store premise located in North Vancouver. The leasee pays fixed and variable lease costs estimated to be \$4,930 per month for the next year and \$5,015 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, 2024 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
Addition to sublease		1,399
Interest income		9,660
Lease payments received		(58,782)
As at May 31, 2024	\$	111,034

The future aggregate sublease payments to be received under the sublease as at May 31, 2024 is estimated to be \$119,345 (2023 - \$176,539).

21. INCOME TAXES

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

	2024	2023
Canadian statutory income tax rate	27%	27%
Net loss before tax per financial statements	\$ (709,870)	(824,115)
Expected income tax recovery at statutory rate	191,665	222,510
Permanent differences and other	(31,542)	11,146
Change in unrecognized tax assets	(160,123)	(233,656)
Income tax recoverable	\$ -	\$ -

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

	2024	2023
Deferred income tax assets:		
Non-capital losses carried forward	6,708,719	6,543,152
Property, equipment and other	4,561	852
Share issuance costs	8,543	17,695
	6,721,823	6,561,699
Less: unrecognized deferred tax assets	(6,721,823)	(6,561,699)
Net deferred income tax assets	\$ -	\$ -

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21. INCOME TAXES (continued)

The Company has approximately \$24,847,106 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	955,181
2036	1,278,023
2037	1,672,765
2038	1,023,436
2039	1,914,639
2040	1,403,326
2041	1,852,305
2042	3,273,832
2043	1,890,482
2044	613,209
Total	24,847,106

22. 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.