



QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2019 AND 2018



INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Quizam Media Corporation

Opinion

We have audited the consolidated financial statements of Quizam Media Corporation and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at May 31, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in deficiency and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2019 and 2018, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that the Company does not generate sufficient profit or cash flows from operations to cover planned operating expenditures, has a working capital deficit and relies on additional financing for its activities. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of 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.

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

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
September 30, 2019

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

(Expressed in Canadian dollars)

	As at May 31, 2019 \$	As at May 31, 2018 \$
ASSETS		
Current		
Cash	252,278	76,253
Accounts receivable	17,236	13,660
Prepaid expenses and deposits	32,256	31,604
Sales taxes recoverable	43,858	13,518
Total current assets	345,628	135,035
Property and equipment (Note 3)	79,210	98,728
Total assets	424,838	233,763
LIABILITIES		
Current		
Accounts payable and accrued liabilities	275,915	89,962
Deferred lease inducement	26,956	25,079
Deferred revenue	49,260	24,701
Due to related parties (Note 9)	238,246	242,535
	590,377	382,277
Deferred lease inducement	9,519	13,751
Total liabilities	599,896	396,028
DEFICIENCY		
Share capital (Note 4)	20,115,171	18,138,016
Subscriptions receivable	–	(105,800)
Contributed surplus	2,734,356	2,439,630
Deficit	(23,024,585)	(20,634,111)
Total deficiency	(175,058)	(162,265)
Total liabilities and deficiency	424,838	233,763

Nature and continuance of operations (Note 1)

Commitments (Note 13)

Subsequent event (Note 15)

APPROVED ON BEHALF OF THE BOARD ON SEPTEMBER 30, 2019

/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)

	Year Ended May 31 2019 \$	Year Ended May 31 2018 \$
REVENUES		
Training services and software sales	781,874	631,247
Consulting fees	108,210	–
	890,084	631,247
EXPENSES		
Accounting and legal (Note 9)	169,882	142,541
Automobile	27,151	19,109
Bank charges and finance fees	7,358	10,065
Depreciation	32,899	26,169
Investor and finance development (Note 9)	196,996	103,934
Management fees (Note 9)	144,000	144,000
Office and miscellaneous (Note 9)	157,446	155,949
On-Track TV development costs (Note 8 and 9)	326,008	99,450
Regulatory fees	34,157	22,495
Rent	308,851	186,921
Research and development (Note 9)	565,190	150,640
Software development costs (Note 9)	26,273	11,667
Share-based compensation (Note 5)	294,726	80,308
Subcontractors (Note 9)	221,924	153,958
Telephone and internet	23,932	36,665
Travel and business development (Note 9)	462,683	194,890
Wages and benefits (Note 9)	281,532	221,095
	3,281,008	1,759,856
LOSS BEFORE OTHER ITEMS	(2,390,924)	(1,128,609)
OTHER ITEMS		
Foreign exchange	–	782
Interest income	450	192
NET LOSS AND COMPREHENSIVE LOSS	(2,390,474)	(1,127,635)
LOSS PER SHARE BASIC AND DILUTED	(0.05)	(0.07)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	43,671,000	17,178,000

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

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS**(Expressed in Canadian dollars)

	Year Ended May 31, 2019 \$	Year Ended May 31, 2018 \$
OPERATING ACTIVITIES		
Net loss	(2,390,474)	(1,127,635)
Add back non-cash items:		
Depreciation	32,899	26,169
Share-based compensation	294,726	80,308
	(2,062,849)	(1,021,158)
Changes in non-cash working capital items:		
Accounts receivable	(3,576)	16,664
Prepaid expenses and deposits	(652)	(4,112)
Sale taxes recoverable	(30,340)	13,585
Accounts payable and accrued liabilities	185,953	(20,516)
Deferred lease inducement	(2,355)	38,830
Due to related parties	(4,289)	(232,373)
Deferred revenue	24,559	(31,955)
CASH USED IN OPERATING ACTIVITIES	(1,893,549)	(1,241,035)
FINANCING ACTIVITIES		
Issuance of common shares, net	2,082,955	1,084,770
CASH PROVIDED BY FINANCING ACTIVITIES	2,082,955	1,084,770
INVESTING ACTIVITIES		
Acquisition of property and equipment	(13,381)	(92,394)
CASH USED IN INVESTING ACTIVITIES	(13,381)	(92,394)
INCREASE (DECREASE) IN CASH	176,025	(248,658)
CASH – BEGINNING OF THE YEAR	76,253	324,911
CASH – END OF THE YEAR	252,278	76,253
SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–
NON-CASH FINANCING ACTIVITIES		
Issuance of shares for finders' fees	–	70,241

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

QUIZAM MEDIA CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

	Number of Common Shares	Amount \$	Contributed Surplus \$	Share Subscriptions Receivable \$	Deficit \$	Total \$
As at May 31, 2017	13,930,611	16,947,446	2,359,322	—	(19,506,476)	(199,708)
Units issued for cash	15,100,000	881,000	—	(105,800)	—	775,200
Issued as finders' fees	839,766	70,241	—	—	—	70,241
Share issuance costs	—	(80,671)	—	—	—	(80,671)
Shares issued for exercise of warrants	1,066,667	320,000	—	—	—	320,000
Share-based compensation	—	—	80,308	—	—	80,308
Comprehensive loss for the year	—	—	—	—	(1,127,635)	(1,127,635)
As at May 31, 2018	30,937,044	18,138,016	2,439,630	(105,800)	(20,634,111)	(162,265)
Units issued for cash	23,135,080	1,872,155	—	105,800	—	1,977,955
Shares issued for exercise of warrants	700,000	105,000	—	—	—	105,000
Share-based compensation	—	—	294,726	—	—	294,726
Comprehensive loss for the year	—	—	—	—	(2,390,474)	(2,390,474)
As at May 31, 2019	54,772,124	20,115,171	2,734,356	—	(23,024,585)	(175,058)

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

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

1. CORPORATE INFORMATION, NATURE AND CONTINUANCE OF OPERATIONS

Quizam Media Corporation (the “Company”) was incorporated on September 15, 2000 under the provisions of the Company Act of British Columbia. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “QQ” (moved from the TSX Venture Exchange (“TSX-V”) effective July 12, 2018). The Company’s principal business activities consist of providing computer training and consulting services, marketing of a computer based educational program, film production and consulting services. The Company has plans to operate a retail cannabis dispensary. 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 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 working capital deficits. These factors form a material uncertainty that casts 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance and Basis of Presentation

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

These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 2(o). The financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

b) Basis of consolidation

The consolidated financial statements include the accounts of the Company, On-Track Computer Training Ltd. (“On-Track”), Quizam Entertainment LLC, and Quantum 1 Cannabis Corp. On-Track was acquired through a “reverse takeover” share exchange in January 2003 and is 100% owned by the Company. Quizam Entertainment LLC. was incorporated in Delaware in November 2015 and is 100% owned by the Company. Quantum 1 Cannabis Corp. was incorporated on October 16, 2018. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of consolidation (continued)

	Principal activity	Place of incorporation and operation	Ownership interest	
			May 31, 2019	May 31, 2018
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	Canada	100%	–

c) Estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Significant areas requiring the use of management estimates relate to calculating an allowance for doubtful accounts, the measurement of share-based compensation, and expected lives of long-lived assets. Actual results could differ from those estimates. Significant judgements are applied by management to determine whether sales have met the Company's revenue recognition criteria, the assessment of the Company's ability to continue as a going concern and the assessment of the probability of realizing deferring income tax assets based on the likelihood of generating taxable income in the future. Different judgement could yield different results.

d) 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 functional and presentation currency is the Canadian dollar.

e) 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.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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 are depreciated using the straight-line method over the estimated term of the related lease.

g) Long-lived assets and impairment

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

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

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

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

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

g) Loans receivable and notes payable

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

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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.

i) 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.

j) Revenue recognition

During the year ended May 31, 2019, the Company adopted 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.

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.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Revenue recognition (continued)

iii. Software revenue

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

iv. License fee revenue

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

v. Movie distribution license revenue

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

vi. Consulting fee revenue

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

The Company's revenue streams do not have any significant financing components or variable consideration.

k) Share-based compensation

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

On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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.

m) Development costs

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

n) Financial instruments

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

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

i. Financial assets

Amortized cost

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

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

i. Financial assets (continued)

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

Fair value through profit or loss

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

ii. Financial liabilities

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

o) New accounting standards adopted

During the year ended May 31, 2019, the Company adopted the following accounting standards:

IFRS 9, Financial Instruments ("IFRS 9")

The Company has adopted new accounting standard IFRS 9, *Financial Instruments*, effective for annual periods beginning on or after January 1, 2018. IFRS 9 was issued by the IASB in July 2014 and has replaced IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model and includes significant changes to hedge accounting.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, does not have an impact on the carrying amounts of financial assets.

The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on transition date as the Company does not have complex financial instruments.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) New accounting standards adopted (continued)

IFRS 15 Revenue from Contracts with Customers

The Company has adopted new accounting standard IFRS 15, *Revenue from Contracts with Customers*, effective for annual periods beginning on or after January 1, 2018 using the retrospective method of adoption. In May 2014, the IASB issued IFRS 15 which supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

The Company principally generates the following revenue sources: Training revenue, On-Track TV revenue, software revenue, license fee revenue, movie distribution license revenue, and consulting fee revenue. The Company has reviewed its sources of revenue using the guidance found in IFRS 15 and determined that there are no material changes to the timing and measurement of the Company's revenue from these sources as compared to the previous standards.

IFRS 2 Share-Based Payment

In June 2016, the Board issued the final amendments to IFRS 2 *Share-Based Payment* as follows:

- (a) Effects that vesting conditions have on the measurement of a cash-settled share-based payment;
- (b) Accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled;
- (c) Classification of share-based payment transactions with net settlement features.

The adoption of IFRS 2 on the Company's financial statements did not have a material impact.

p) New accounting standards not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for the Company's accounting periods beginning after June 1, 2019, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The following accounting standards and amendments are effective for the Company's fiscal year beginning on June 1, 2019:

IFRS 16 Leases

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17.

The Company has not yet determined the full impact of IFRS 16 on its consolidated financial statements. The Company believes that the most significant impact will be the recognition of a right-of-use asset and a corresponding lease liability on the statement of financial position for certain facilities currently treated as operating leases.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

3. PROPERTY AND EQUIPMENT

Cost	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Library	Total
As at May 31, 2017	\$ 403,066	\$ 79,075	\$ 24,617	\$ 4,755	\$ 511,513
Additions	12,770	14,705	64,920	–	92,394
As at May 31, 2018	415,836	93,780	89,537	4,755	603,907
Additions	5,825	7,556	–	–	13,381
As at May 31, 2019	\$ 421,661	\$ 101,336	\$ 89,537	\$ 4,755	\$ 617,288

Accumulated Depreciation

As at May 31, 2017	\$ 373,012	\$ 77,139	\$ 24,104	\$ 4,755	\$ 479,010
Depreciation	12,735	3,027	10,408	–	26,169
As at May 31, 2018	385,747	80,166	34,512	4,755	505,179
Depreciation	15,304	4,611	12,984	–	32,899
As at May 31, 2019	\$ 401,051	\$ 84,777	\$ 47,496	\$ 4,755	\$ 538,078

Carrying Amounts

Balance, May 31, 2018	\$ 30,089	\$ 13,614	\$ 55,025	\$ –	\$ 98,728
Balance, May 21, 2019	\$ 20,610	\$ 16,559	\$ 42,041	\$ –	\$ 79,210

4. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common voting shares without par value. Disclosures on any common shares issued are also provided in the consolidated statements of changes in deficiency.

Transaction during the year ended May 31, 2019:

On August 21, 2018, the Company issued 4,200,000 units at a price of \$0.06 per unit for proceeds of \$252,000. Each unit consisted on one common share and one share purchase warrant. Each warrant is exercisable for three years at a price of \$0.10 per share. The Company's CEO subscribed for 400,000 units.

On October 22, 2018, the Company issued 4,375,000 units at a price of \$0.08 per unit for proceeds of \$350,000. Each unit consisted on one common share and one share purchase warrant. Each warrant is exercisable for three years at a price of \$0.20 per share. The Company's CEO subscribed for 400,000 units.

On November 1, 2018, the Company issued 4,150,000 units at a price of \$0.08 per unit for proceeds of \$332,000. Each unit consisted on one common share and one share purchase warrant. Each warrant is exercisable for three years at a price of \$0.20 per share. The Company's CEO subscribed for 200,000 units.

On November 19, 2018, the Company issued 4,500,000 units at a price of \$0.10 per unit for proceeds of \$450,000. Each unit consisted on one common share and one share purchase warrant. Each warrant is exercisable for three years at a price of \$0.18 per share.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

4. SHARE CAPITAL (continued)

On December 04, 2018, the Company issued 1,000,000 units at a price of \$0.12 per unit for proceeds of \$120,000. Each unit consisted on one common share and one share purchase warrant. Each warrant is exercisable for three years at a price of \$0.20 per share. The Company's CEO subscribed for 183,333 units.

On February 21, 2019, the Company issued 4,910,080 units at a price of \$0.075 per unit for proceeds of \$368,256. Each unit consisted on one common share and one share purchase warrant. Each warrant is exercisable for three years at a price of \$0.15 per share. The Company incurred share issuance costs of \$101. The Company's CEO subscribed for 266,680 units.

During the twelve months ended May 31, 2019, the Company issued 700,000 shares upon the exercise of warrants at \$0.15 per share for gross proceeds of \$105,000

Transactions during the year ended May 31, 2018:

On November 3, 2017, the Company closed a non-brokered private placement of 2,000,000 units at \$0.09 per unit for gross proceeds of \$180,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.30 per share for the first 12 months and at \$0.50 per share for an additional 12 months. In connection with the private placement, the Company issued 22,500 shares as finders' fees with a fair value of \$2,025. The Company also incurred other share issuance costs of \$1,727.

On February 2, 2018, the Company closed a non-brokered private placement of 4,600,000 units at \$0.06 per unit for gross proceeds of \$276,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.15 per share for the first 12 months and at \$0.25 per share for an additional 24 months. In connection with the private placement, the Company issued 319,666 shares as finders' fees with a fair value of \$38,360. The Company also incurred other share issuance costs of \$5,703.

On May 31, 2018, the Company closed a non-brokered private placement of 8,500,000 units at \$0.05 per unit for gross proceeds of \$425,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.08 per share for the first 18 months and at \$0.10 per share for an additional 18 months. In connection with the private placement, the Company issued 497,600 shares as finders' fees with a fair value of \$29,856. The Company also incurred other share issuance costs of \$2,999.

During the year ended May 31, 2018, the Company issued 1,066,667 shares upon the exercise of warrants at \$0.30 per share for gross proceeds of \$320,000.

5. STOCK OPTIONS

Stock option plan and stock options issued:

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 price must not be less than the closing price of the common shares of the Company on the TSX-V on the day immediately preceding the date of grant less the applicable discount if any. 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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

5. 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, 2017	480,000	\$ 0.56
Granted	1,830,000	0.19
Expired/Cancelled	(805,000)	0.33
Outstanding, May 31, 2018	1,505,000	\$ 0.23
Granted	1,930,000	0.28
Expired/Cancelled	(200,000)	0.46
Outstanding, May 31, 2019	3,235,000	\$ 0.24

All of the options outstanding at May 31, 2019, were fully vested.

The weighted average remaining contractual life of the stock options outstanding as at May 31, 2019 was 1.72 years (2018 – 1.47 years).

The fair value for stock options granted during the years ended May 31, 2019 and 2018, was estimated using the Black- Scholes option pricing model using the following weighted average assumptions:

	2019	2018
Risk-free interest rate	2.26%	1.70%
Expected life (in years)	3.00	1.88
Expected volatility	242%	151%
Expected forfeitures	0%	0%
Dividend yield	0%	0%

The weighted average grant date fair value of stock options granted during the year was \$0.15 (2018 - \$0.04) per option.

6. SHARE PURCHASE WARRANTS

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

	Number of Underlying Shares	Weighted Average Exercise Price
Outstanding, May 31, 2017	5,858,023	\$ 0.37
Issued	15,100,000	0.13
Exercised	(1,066,667)	0.30
Expired	(4,311,356)	0.37
Balance, May 31, 2018	15,580,000	\$ 0.14
Expired	(480,000)	0.50
Exercised	(700,000)	0.15
Issued	23,135,080	0.17
Balance, May 31, 2019	37,535,080	\$ 0.17

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

6. SHARE PURCHASE WARRANTS (continued)

At May 31, 2019, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	\$0.50	November 1, 2019
3,900,000	\$0.25	February 2, 2021
8,500,000	\$0.08*	May 29, 2021
4,200,000	\$0.10	August 21, 2021
4,375,000	\$0.20	October 22, 2021
4,150,000	\$0.20	November 5, 2021
4,500,000	\$0.18	November 21, 2021
1,000,000	\$0.20	December 06, 2021
4,910,080	\$0.15	February 26, 2022
37,535,080		

* Exercise price increases to \$0.10 per share on December 1, 2019

The weighted average remaining contractual life of the warrants outstanding as at May 31, 2019, was 2.17 years (2018 – 2.61 years).

7. 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 sales from training services, software sales and licensing sales and consulting fee revenue.

(a) Training Services and UK On-Track TV sales and expenses for the years ended May 31, 2019 and 2018, respectively:

	2019	2018
	\$	\$
Revenue	615,380	631,247
Expenses	(1,121,054)	(1,222,812)
Loss	(505,674)	(591,565)

During the year ended May 31, 2019, the Company recognized training service revenue in the amount of \$24,701 previously included in deferred revenue (2018 - \$56,656).

(b) Software and Licensing sales and expenses for the years ended May 31, 2019 and 2018, respectively:

	2019	2018
	\$	\$
Revenue	165,510	–
Expenses	(348,158)	(2,500)
Loss	(182,648)	(2,500)

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

7. SEGMENTED INFORMATION (continued)

- (c) Quantum 1 Cannabis's consulting services sales and expenses for the years ended May 31, 2019 and 2018, respectively:

	2019	2018
	\$	\$
Revenue	108,210	–
Expenses	(253,504)	–
Loss	(145,294)	–

- (d) Head office expenses for the years ended May 31, 2019 and 2018 were as follows:

	2019	2018
	\$	\$
Revenue	–	–
Expenses	(1,558,292)	(534,544)
Loss	(1,558,292)	(534,544)

The Company's operations are centralized whereby the Company's head office is responsible for the operational results. All of the Company's assets are in Canada. The Company's revenues include sales generated in Canada, USA and in Europe as follows:

	2019	2018
	\$	\$
Canada	614,882	605,919
USA	273,720	–
Europe	1,482	25,328
	890,084	631,247

8. PRODUCT DEVELOPMENT COSTS

- (a) On-Track TV

During fiscal 2019 and 2018, the Company finished a complete set of on-line curriculum for its training division called On-Track TV. The costs associated with development of the On-Track TV, which are included in expenses for the years ended May 31, 2019 and 2018, are as follows:

	2019	2018
	\$	\$
Salary, wages and fees	95,705	11,700
Production costs	252,453	87,750
	348,158	99,450

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

8. PRODUCT DEVELOPMENT COSTS (continued)

(b) Quizam software

The costs associated with development of the Quizam educational software, which are included in the consolidated statement of operations, and comprehensive loss for the years ended May 31, 2019 and 2018, are as follows:

	2019	2018
	\$	\$
Salary, wages and fees (management, programming and marketing)	199,180	2,971

9. 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:

	2019	2018
	\$	\$
Management fees	144,000	144,000
Share-based compensation	145,072	21,356
	289,072	165,356

For the years ended May 31, 2019 and 2018, 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 May 31, 2019, \$238,246 (2018 – \$242,535) was owed to a significant shareholder and companies owned by the significant shareholder, who is also a director and officer, and to a company owned by his relative.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (continued)

(c) Related party transactions

During the year ended May 31, 2019, an amount of \$1,564,593 (2018 - \$729,741) 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 statements of operations and comprehensive loss is as follows:

	2019 \$	2018 \$
Accounting and legal	121,950	98,200
Investor and finance development	103,444	72,850
Management fees	144,000	144,000
Office and miscellaneous	72,721	80,396
On-Track TV development costs	241,403	79,550
Research and development	565,190	150,640
Software development costs	21,150	8,750
Subcontractors	7,800	2,500
Travel and business development	226,875	32,200
Wages and benefits	60,060	60,655
	1,564,593	729,741

10. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of \$22,849,527 at May 31, 2019 (2018 – \$20,471,846). 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 to ensure the growth of activities.

11. LINE OF CREDIT

As at May 31, 2019, 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, 2019 and 2018.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

12. 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:

	2019	2018
	\$	\$
FVTPL (i)	252,278	76,253
Financial assets at amortized cost (ii)	17,236	13,660
Financial liabilities at amortized cost (iii)	(514,161)	(332,497)

- (i) Cash
- (ii) Accounts receivable
- (iii) Accounts payable 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	2019	2018
		\$	\$
Cash	1	252,278	76,253

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, in order to minimize operational and legal risks.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivable. Credit risk from accounts receivable encompasses the default risk of its customers. The Company manages its exposure to credit risk by only working with reputable companies and by performing on-going credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed appropriate. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table provides information regarding the aging of financial assets that are past due but which are not impaired as at May 31, 2019:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable	\$ 17,236	-	-	-	17,236

Liquidity Risk

The Company manages its ability to meet its short-term obligations through the capital management described in Note 10. 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.K., and a portion is in the U.S. (movie sales), the Company's foreign exchange risk arises with respect to the U.K. pound sterling and U.S. dollar. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 0.2% of the Company's revenues are denominated in the U.K. pound sterling (2018 – 4%), and approximately 30.8% in U.S. dollars (2018 – 0%) while a significant amount of the Company's expenses are denominated in Canadian dollars. Fluctuation of foreign exchange rate between U.S. dollar and Canadian dollar is not considered to have a material impact on the Company's consolidated financial statements.

Interest Rate Risk

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

13. COMMITMENTS

The Company has committed to pay rent, taxes and operating costs under various rental agreements until March 2024. Minimum lease payments are as follows:

2020	\$ 400,082
2021	405,236
2022	415,353
2023 and onwards	500,550
Total	\$ 1,721,221

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

14. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2019 \$	2018 \$
Canadian statutory income tax rate	27%	26%
Net loss before tax per financial statements	2,390,474	1,127,635
Income tax recoverable at statutory rates	645,428	293,185
Permanent differences and other	(80,049)	(20,037)
Differences in future tax rate	(3,237)	142,921
Expiry of losses	–	–
Unrecognized tax assets	(562,142)	(416,069)
Income tax recoverable	–	–

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

	2019 \$	2018 \$
Future effective tax rate	27%	27%
Deferred income tax assets		
Non-capital losses carried forward	4,313,765	3,752,815
Property, equipment and other	91,294	82,411
Share issuance costs	15,938	23,628
Unrecognized deferred tax assets	(4,420,997)	(3,858,854)
Net deferred income tax assets	–	–

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

14. INCOME TAXES (continued)

The Company has approximately \$15,976,907 (2018 – \$13,899,315) in Canadian non-capital losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2026	834,329
2027	1,065,796
2028	1,255,435
2029	1,159,201
2030	980,292
2031	1,069,816
2032	1,039,129
2033	680,374
2034	885,536
2035	955,183
2036	1,278,023
2037	1,672,765
2038	1,023,436
2039	2,077,594
	<u>15,976,909</u>

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

15. SUBSEQUENT EVENT

In September 2019, the Company issued 4,000,000 units, comprised of one common share and one common share purchase warrant, for gross proceeds of \$240,000.

Form 51-102F2

Management's Discussion & Analysis (MD & A)

Forward-Looking Information

This MD&A contains “forward-looking information” that is based on management’s expectations, estimates and projections as of the date of this MD&A. Forward looking information in this MD&A can frequently be identified as incorporating such words as “plans”, “becomes”, “expects”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “may”, “could”, “would”, “might” or “will”. This forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by the forward looking information in this MD&A. Actual results may vary materially from the forward looking information contained in this MD&A.

The forward-looking information contained in this MD&A is based on the information available as of the date of this MD&A and we have no intention of updating them except as required by applicable securities law. Numerous events and circumstances could occur subsequent to the date of this MD&A that could cause the actual results, performance or achievements that may be expressed or implied by the forward-looking information.

Forward-looking statements are included in sections 1.2, 1.5, 1.6, and 1.9. Examples of such forward looking information included in this MD&A include, but are not limited to, trends in the marketplace favoring both Quizam’s products; the demand for Corporate Computer training being fueled by the increased reliance on computers in the workplace; growing use of the internet helping to improve the awareness and consequent demand for the Quizam product; demand for Quizam’s products increasing; the large global increase in the use of cell phones and internet, together with an increased appreciation for education and training giving the company excellent strategic positioning; all future global License sales will be in Canadian dollars; there can be no assurance that the company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable; the company will continue to improve its cash positions by focusing on increasing sales, improving profitability and equity financings; broadening of On-TrackTV; increasing our On-TrackTV sales team; significant parental/family demand for study tools; inventory increasing in value; anticipating receiving deferred purchases; management anticipates more Country Licenses coming on board and increased website visits in the coming quarters. In addition, Quizam Media has opened up a “Movie” division. We are producing our own feature length movies. Moreover, cannabis is an entirely new industry in Canada, and the legalization of cannabis will be a signature development in Canada retail market. There is a huge opportunity for Quantum 1 on the potential for first-mover advantage in the market. Legalization is expected to attract more new consumers and increase frequency of purchase. The high possibility of becoming a complement or a substitute for liquor favors to recreational cannabis

industry. On-TrackTV is launching new videos about provincial regulations and safety concerns, and other issues related to cannabis.

All of the above forward looking statements are subject to significant risks and uncertainties. Certain material risk factors, that could cause actual results to differ materially from the forward-looking information contained in this MD&A include, but is not limited to, changes in the actions of competitors; fluctuations of exchange rates; the trading level of the company's stock; the continued availability of financing on appropriate terms for future projects; the continued increase of commercial run rates; a decline in market liquidity, and the volatility of global markets. Events and circumstances that occurred during the year ended May 31, 2019, which are reasonably likely to cause actual results to differ materially are the volatility of the global economy and increased competition which could prevent the company from improving its cash position, improving profitability, increasing Country Licenses or completing necessary financings; decreased usage of the internet, cell phones, and PDA's which could decrease demand for Academic Quizzing software and Quizam's products; the inability to hire appropriate staff and the results of product development activities could prevent further revisions to the software and the development of new products. Changes in the Entertainment industry could also affect results. Currently the movie business is going through major changes as the Internet and On-Demand usage increases. Changing in legislation, customer preferences and behaviors, competitors' actions and economic factors could affect the results from company predictions.

The current economy increases the uncertainty of forward looking statements and information included in the MD&A.

1.1 Date of Information

September 30, 2019

1.2 Overall Performance

We are pleased with development of On-Track TV as it's library of current software topics has become very comprehensive. More recently, we have entered into several discussions with top industry players who are interested in using On-Track TV to train their teams. In addition, we have many individual users that use On-Track TV for learning. In June 2018 we sold the USA and Malaysian rights of On -Track TV for USD\$150,000 but this could blossom to over USD\$330,000 based on activations. The agreement was amended to USD\$125,000 for business licenses in Southeast Asia only, with the USA licenses being excluded from the contract. The business model is based on self-service through a website with residual subscriptions. People are going to the On-Track TV site and using the training.

We continue to enhance On-Track TV. Our two main areas of On-Track TV development include the LMS (learning management system) and content. More recently we have invested much time and effort to ensure our content is of the highest quality. As software companies continue to release new versions we continue to develop On-Track TV content for these new versions.

The company competes in the global marketplace and the continued devalued Canadian Dollar is helping to make our product more competitive globally.

The demand for corporate computer training is being fueled by the increased reliance on computers in the workplace coupled with the continued releases of new products from software producers like Microsoft.

We continue to transition from face to face training to online training. Our online division is growing faster than the face to face training division and the ontracktv.com website is growing much faster than the On-Track face to face training website.

Quizam has altered its "Exclusivity" agreement with Central Media in the UK. The agreement is now non-exclusive and permits Quizam to work with other partners in the UK for the sale and distribution of ontrackTV.com into the UK market under the name ontrackTV.co.uk. The ontrackTV.co.uk library of online learning videos is sold via annual subscriptions to those seeking to learn about common software packages, Human Resource (HR) training, and Management Leadership Training.

On-TrackTV continues to diversify its offering to include far more than just software training.

Our UK partner is continuing to forge new clients for us in the UK market. Sales have been down this year in Europe, but we are currently working on some significant deals that are taking longer than expected. Management feels European sales will increase this year.

Until now On-TrackTV has focused on information technology computer training, however, due to client demands and custom training requests we are now expanding the curriculum to include soft skill training for corporations. We have added new soft skill courses such as Conflict Resolution in the Workplace, Brain Storming and Increasing Workplace Assertiveness. We have also added 500 new on-line courses in trades including apprentice programs for plumbing, electrical, pipe fitting and carpentry.

In addition to the training services described above, our global strategy with On-TrackTV has been to place our tags on partner's websites; however, revenue from this source has been minimal so far.

The Company has two teams familiar with both markets working in Canada and the United Kingdom. Increased demand for On-TrackTV has resulted in reassigning some of the Quizam Software team and as a result, Quizam Software development and sales efforts have become secondary to On-TrackTV. However, we are still working to develop a free shared online Quizam community. More recently we have developed some Quizzing tools for National Companies to test their employees. We see this market as having large and complimentary potential to On-Track TV.

We are also adding administrative components to On-TrackTV which will broaden our corporate appeal. We are looking at broadening On-TrackTV to include other broadcasts such as CEO messages, compliance issues, and other customized corporate communication requirements for clients. We plan to increase our On-TrackTV corporate sales team and to sell the product to Fortune 500 companies.

Management feels that the growing use of the internet will help to improve the awareness and consequently demand for the Quizam product.

Management sees the demand for Quizam's products increasing. The global increased use of cell phones and internet, together with an increased appreciation for education and training will give the company excellent strategic positioning. We are currently developing products for handheld devices such as iPhones and Android phones.

The Company is continuing to add quizzes to its internet library. Many of the topics are classic and timeless. As this library continues to grow it becomes a valuable asset to the Company. The Company is exploring ways of accelerating the growth of this library either through corporate purchases of content or perhaps a "community" sharing model where quizzes can be added by global users. In either case management sees this inventory increasing in value as time goes on.

The Company has the equipment and experience in producing non-fiction learning vignettes. Management decided to expand its content to include some "Fiction" based filming such as Movies for Entertainment.

In April 2018 we partnered with AC3 to market On-Track TV in the Crypto Currency marketplace. Under the terms of the agreement all revenues derived from sales of On-Track TV subscriptions go to On-Track TV in AC3 cryptocurrency.

In June 2018 we sold the exclusive USA and Malaysian rights to On-Track TV to Superior Online Training for USD\$330,000. Under the terms of the agreement Superior is paying USD\$150,000 plus a per country activation fee of USD\$20,000 for each Southeast Asian country including Singapore, Malaysia, Indonesia, Thailand, Philippines, Vietnam, Cambodia, Laos and Burma. The agreement was later amended to exclude USA licenses and change the initial license fee for Southeast Asia to USD\$125,000. On-Track TV and Superior will share subscription revenue generated from sales of On-Track TV. Superior and On-Track TV have agreed to escalating yearly minimum targets to retain their exclusivity.

The Company plans to continue to focus on growth and profitability. The main strategies in the process include:

- a) Strict focus on increasing gross sales in each month compared to the same month in previous year;
- b) Increase of pricing in all areas;
- c) Huge expansion of course offerings beyond IT and computer training. Some of the new course offerings include customer service, conflict resolution, minute note-taking, and project management, cannabis education, cannabis safety; and medical applications of cannabis
- d) Special marketing team devoted to gaining Fortune 500 companies as clients for On-Track TV;
- e) Continue to develop On-Track TV markets in the UK, North America, and Southeast Asia and sell more regional On-Track TV licenses.

- f) Continue to develop components to On-Track TV where users are quizzed after viewing content;
- g) Offering web development services under the name On-Track Web Development. This enables us to leverage our in house team and increase revenue;
- h) Continue to enhance the LMS (learning management system) of the On-Track TV website;
- i) Update and modernize all of our websites starting with On-Track.com and ontracktv.com.
- j) Full scale animation and film productions in the areas of non-fiction and education;
- k) Produce a full feature film in the coming 12 months.;
- l) Develop and offer courses in common accounting software such as Simply Accounting, QuickBooks and Caseware. This would be for both Face to Face and On-Track TV.
- m) Expand on our Cannabis Strategy into retail sales in Key cities throughout British Columbia. We would like to have 8 Cannabis Retail Platforms up and running within the next 10 months.

1.3 Selected Annual Information

	Year-Ended May 31, 2019 \$	Year-Ended May 31, 2018 \$	Year-Ended May 31, 2017 \$
a) Total revenue	890,084	631,247	546,850
b) Net loss before other items	(2,390,924)	(1,128,609)	(1,897,094)
c) Net loss	(2,390,474)	(1,127,635)	(1,859,077)
c) Net loss (per share)	(0.05)	(0.07)	(0.16)
d) Total assets	424,838	233,763	442,333
e) Long-term liabilities	9,519	13,751	0
f) Cash dividends	0	0	0

1.4 Discussion of Operations

Revenue for the year ended May 31, 2019, increased to \$890,084 compared to \$631,247 during the year ended May 31, 2018. Operating expenses increased from \$1,759,856 during the year ended May 31, 2018, to \$3,281,008 during the year ended May 31, 2019. The increase of \$1,521,152 was mainly as a result of an increase expense in investor and finance development costs, On-Track TV development costs, rent, research and development, share-based compensation, subcontractors, travel and business development, and wages and benefits. Much of this increase had to do with the newly formed Quantum 1 Cannabis and ramping up its operations and applications for Retail Locations. Net loss increased to

\$2,390,474 (2018 - \$1,127,635) during the year ended May 31, 2019. Net loss increased by \$1,262,839 as a result of an increase in operating expenses.

The significant changes were as follows:

- Investor and finance development costs increased to \$196,996 for the year ended May 31, 2019 (2018 – \$103,934). The increase is due to the Company spending more to attract investors, which resulted in more money raised as the Company expanded into the Cannabis business through its subsidiary, Quantum 1 Cannabis Corp.
- On-Track TV development costs increased to \$326,008 for the year ended May 31, 2019 (2018 – \$99,450). The increase is a result of rapid development of On-Track TV online learning content and website in order to sell licenses.
- Rent costs increased to \$308,851 for the year ended May 31, 2019 (2018 – \$186,921). Quizam had no payment to rent for July and August 2017 because of a rent inducement. During the year ended May 31, 2019, the Company signed seven new rental agreements effective December 1, 2018 onwards.
- Research and development costs increased to \$565,190 for the year ended May 31, 2019 (2018 – \$150,640), as a result of On-Track TV products and related products broadening and development.
- Share-based compensation costs increased to \$294,726 for the year ended May 31, 2019 (2018 – \$80,308), as a result of the granting of 1,930,000 stock options during the year ended May 31, 2019 with a weighted average grant date fair value of \$0.14 per option as compared to the Company granting 1,830,000 stock options during the year ended May 31, 2018 with a weighted average grant date fair value of \$0.04 per option.
- Subcontractors costs increased to \$221,924 for the year ended May 31, 2019 (2018 - \$153,958). The increase is a result of development of On-track TV. On-Tack also offers more training courses since moved to new bigger place.
- Travel and business development costs increased to \$462,683 for the year ended May 31, 2019 (2018 - \$194,890). The increase is related to the On-Tack TV license sales in US.
- Our training division continues to improve its performance and management feels we are gaining more market share every quarter. We are blending out On-TrackTV with our face to face offerings to attract more large clients.

1.5 Summary of Quarterly Results

The effect of applying the treasury stock method to the Company's loss per share calculation is antidilutive. Therefore, basic and diluted losses per share are equal for the periods presented.

The quarterly periods in the table below are presented under International Financial Reporting Standards in Canadian dollars.

Description	May 31, 2019	February 28, 2019	November 30, 2018	August 31, 2018	May 31, 2018	February 28, 2018	November 30, 2017	August 31, 2017
Total Revenue	\$330,005	\$115,029	\$161,003	\$284,047	\$188,445	\$125,427	\$178,431	\$138,944
Income or (loss) before other items	\$(608,507)	\$(715,417)	\$(889,959)	\$(177,043)	\$(241,625)	\$(418,490)	\$(300,060)	\$(168,434)
Net Income or (loss) for the period	\$(608,507)	\$(715,237)	\$(889,779)	\$(176,952)	\$(240,662)	\$(418,488)	\$(300,059)	\$(168,426)
Net income (Loss) before other items per share basic and diluted	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.01)
Income (Loss) per share basic and diluted	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.01)

Revenue increased during the three months ended November 30, 2017. Net loss increased during the second quarter ended November 30, 2017, as a result of an increase in accounting and legal costs, rent, research and development and travel and business development.

Revenue decreased during the three months ended February 28, 2018. Net loss increased during the third quarter ended February 28, 2018, as a result of the reduction in revenue and an increase in share-based compensation.

Revenue increased during the three months ended May 31, 2018. Net loss decreased during the fourth quarter ended May 31, 2018, as a result of an increase in revenue, and a decrease in share-based compensation.

Revenue increased during the three months ended August 31, 2018 as a result of new licensing fee revenue generated in the amount of \$165,510 (US\$125,000). Net loss decreased during the first quarter ended August 31, 2018, as a result of an increase in revenue, and a decrease in office and miscellaneous.

Revenue decreased during the three months ended November 30, 2018. Net loss increased during the second quarter ended November 30, 2018, as a result of an increase in accounting and legal costs, rent, research and development, share-based compensation, and travel and business development.

Revenue decreased during the three months ended February 28, 2019. Net loss decreased during the third quarter ended February 28, 2019, as a result of a decrease in share-based compensation costs, and a decrease in office and miscellaneous.

Revenue increased during the three months ended May 31, 2019 as a result of consulting fee revenue generated in the amount of \$108,210 (US\$80,250). Net loss decreased during the fourth quarter ended May 31, 2019, as a result of an increase in revenue and a decrease in On-Track TV development costs and travel and business development costs.

1.6 Liquidity

The Company's liquidity is as follows:

	May 31, 2019	May 31, 2018
Cash and cash equivalents	\$252,278	\$76,253
Accounts receivable	\$17,236	\$13,660
Accounts payable and accrued liabilities	\$275,915	\$89,962
Due to related parties	\$238,246	\$242,535
Working capital (deficiency)	\$(244,749)	\$(247,242)

As at May 31, 2019, the Company had cash and cash equivalents of \$252,278 and working capital deficiency of \$244,749 compared to cash and cash equivalents of \$76,253 and a working capital deficiency of \$247,242 as at May 31, 2018. The Company's decrease in working capital deficiency is attributable to the increase in cash and cash equivalents, accounts receivable offset by increase in accounts payable and accrued liabilities.

During the year ended May 31, 2019, the Company used \$1,893,549 of cash for operating activities compared to \$1,241,035 in the comparative period. The Company incurred \$13,381 (2018 - \$92,394) in acquisition of equipment during the period ended May 31, 2019. The Company has financed its operations for the last two years mainly through the issuance of share capital. The Company has raised \$2,082,955 (2018 - \$1,084,770) through subscription of share capital during the year ended May 31, 2019. The Company has incurred losses as it continues to develop its software products. The Company continues to be dependent on its cash reserves and future financings.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when required, the Company may be required to delay or scale back its software development and marketing. Any equity offerings will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Currently the Company has insufficient funds to meet its requirements for the coming year. It will continue to improve its cash positions by focusing on increasing sales, improving profitability and equity financings.

1.7 Capital Resources

The Company's capital currently consists of common shares, options and warrants. The Company's principal source of funds 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 to be able to meet the Company's educational software development, internet training development and film production to ensure the growth of activities.

During the year ended May 31, 2017, the Company signed a rental agreement effective until August 31, 2022 for the lease of its head office in Vancouver. During the year ended May 31,

2019, the Company signed seven rental agreements effective December 1, 2018 onwards. The Company has committed to pay rent, taxes and operating costs. Minimum remaining lease payments are as follows:

Fiscal Year	\$
2020	400,082
2021	405,236
2022	415,353
2023 and onwards	500,550
Total	1,721,221

1.8 Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

1.9 Transactions Between Related Parties

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties as follows:

	May 31, 2019	May 31, 2018
Management fees	\$ 144,000	\$ 144,000
Share-based compensation	\$ 145,072	\$ 21,356
	\$ 289,072	\$ 165,356

For the year ended May 31, 2019 and 2018, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

At May 31, 2019, \$238,246 (May 31, 2018 – \$242,535) 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.

Accounting and legal, investor and finance development, office and miscellaneous, On-Track TV development, research and development, software development, subcontractors, travel and business development, and wages and benefit expenses are provided by related parties and significant shareholders of the Company.

During the year ended May 31, 2019, \$1,564,593 (2018 - \$729,741) of these expenses were included in expenses to companies owned by a significant shareholder, who is also a director and officer, and immediate family of the significant shareholder.

1.10 Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Significant areas requiring the use of management estimates relate to estimation of an allowance for doubtful accounts, the measurement of share-based compensation, and expected lives of long-lived assets. Actual results could differ from those estimates. Significant judgements are applied by management to determine whether sales have met the Company's revenue recognition criteria, to assess the Company's ability to continue as a going concern, and to assess the probability of realizing deferring income tax assets based on the likelihood of generating taxable income in the future. Different judgement could yield different results.

1.11 Changes in Accounting Policies including Initial Adoption

Adoption of New Accounting Changes:

IFRS 9, Financial Instruments ("IFRS 9")

The Company has adopted new accounting standard IFRS 9, *Financial Instruments*, effective for annual periods beginning on or after January 1, 2018. IFRS 9 was issued by the IASB in July 2014 and has replaced IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model and includes significant changes to hedge accounting.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, does not have an impact on the carrying amounts of financial assets.

The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on transition date as the Company does not have complex financial instruments.

IFRS 15 Revenue from Contracts with Customers

The Company has adopted new accounting standard IFRS 15, *Revenue from Contracts with Customers*, effective for annual periods beginning on or after January 1, 2018 using the retrospective method of adoption. In May 2014, the IASB issued IFRS 15 which supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18,

Transfers of Assets from Customers, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

The Company principally generates the following revenue sources: Training revenue, On-Track TV revenue, software revenue, license fee revenue, movie distribution license revenue, and consulting fee revenue. The Company has reviewed its sources of revenue using the guidance found in IFRS 15 and determined that there are no material changes to the timing and measurement of the Company's revenue from these sources as compared to the previous standards.

IFRS 2 Share-Based Payment

In June 2016, the Board issued the final amendments to IFRS 2 *Share-Based Payment* as follows:

- (a) Effects that vesting conditions have on the measurement of a cash-settled share-based payment;
- (b) Accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled;
- (c) Classification of share-based payment transactions with net settlement features.

The adoption of IFRS 2 on the Company's consolidated financial statements did not have a material impact.

Future Accounting Changes:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for the Company's accounting periods beginning after June 1, 2019, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The following accounting standards and amendments are effective for the Company's fiscal year beginning on June 1, 2019.

IFRS 16 Leases

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17.

The Company believes that the most significant impact of IFRS 16 on its consolidated financial statements will be the recognition of a right-of-use asset and a corresponding lease liability on the statement of financial position for certain facilities currently treated as operating leases.

1.12 Financial Instruments and Other Instruments

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

Financial instruments comprise cash, accounts receivable, accounts payable and due to related parties. At initial recognition management has classified financial assets and liabilities as follows:

a) Financial assets

Amortized cost

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

b) Financial liabilities

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

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

	May 31, 2019	May 31, 2018
	\$	\$
FVTPL (i)	252,278	76,253
Financial assets at amortized cost (ii)	17,236	13,660
Financial liabilities at amortized cost (iii)	(514,161)	(332,497)

- (i) Cash
- (ii) Accounts receivable
- (iii) Accounts payable 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	May 31, 2019	May 31, 2018
		\$	\$
Cash	1	252,278	76,253

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, in order to minimize operational and legal risks.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivable. Credit risk from accounts receivable encompasses the default risk of its customers. The Company manages its exposure to credit risk by only working with reputable companies and by performing on-going credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed appropriate. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The following table provides information regarding the aging of financial assets that are past due but which are not impaired as at May 31, 2019:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable	\$ 17,236	-	-	-	17,236

Liquidity Risk

The Company manages its ability to meet its short-term obligations through the capital management described in Note 10 to the consolidated financial statements. 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.K., and a portion is in the U.S. (movie sales), the Company's foreign exchange risk arises with respect to the U.K. pound sterling and U.S. dollar. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 0.2% of the Company's revenues are denominated in the U.K. pound sterling (2018 – 4%), and approximately 30.8% in U.S. dollars (2018 – 0%) while a significant amount of the Company's expenses are denominated in Canadian dollars. Fluctuation of foreign exchange rate between U.S. dollar and Canadian dollar is not considered to have a material impact on the Company's consolidated financial statements.

Interest Rate Risk

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

1.13 Additional Information

Additional information about the Company is available on SEDAR (Website: www.sedar.com)

Outstanding Share Data

The following table summarizes the issued and outstanding share capital as of the date of the MD&A:

	Number of shares issued or issuable as at May 31, 2019	Number of shares issued or issuable as at September 30, 2019
Common shares	54,772,124	58,772,124
Stock options	3,235,000	3,235,000
Warrants	37,535,080	41,535,080