**QUIZAM MEDIA CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**MAY 31, 2022 AND 2021**

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## 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, 2022 and 2021, and the consolidated statements of operations and comprehensive loss, cash flows and changes in equity 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, 2022 and 2021, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Manning Elliott LLP

Chartered Professional Accountants
Vancouver, British Columbia
September 28, 2022

**QUIZAM MEDIA CORPORATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars)

| | As at May 31, 2022 $ | As at May 31, 2021 $ |
|---|---|---|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | 279,058 | 921,534 |
| Accounts receivable | 47,945 | 67,761 |
| Sales taxes recoverable | 1,553 | 4,724 |
| Prepaid expenses and deposits | 87,106 | 84,938 |
| Inventory (Note 3) | 269,680 | 120,835 |
| Total current assets | 685,342 | 1,119,792 |
| Property and equipment (Note 4) | 2,136,646 | 868,226 |
| Total assets | 2,821,988 | 2,068,018 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | 786,460 | 382,630 |
| Deferred revenue | 29,363 | 21,833 |
| Due to related parties (Note 10) | 217,178 | 23,606 |
| Lease liabilities – Current (Note 17) | 433,693 | 307,244 |
| Loan payable – Current (Note 16) | 20,000 | – |
| Total current liabilities | 1,486,694 | 735,313 |
| Lease liabilities – Long-term (Note 17) | 1,624,393 | 455,265 |
| Loan payable – Long-term (Note 16) | 40,000 | 60,000 |
| Total liabilities | 3,151,087 | 1,250,578 |
| EQUITY (DEFICIENCY) | | |
| Share capital (Note 5) | 25,313,167 | 24,245,652 |
| Share subscriptions received | 150,200 | – |
| Contributed surplus | 3,278,463 | 3,173,032 |
| Deficit | (29,070,929) | (26,601,244) |
| Total equity (deficiency) | (329,099) | 817,440 |
| Total liabilities and equity | 2,821,988 | 2,068,018 |

Nature and continuance of operations (Note 1)
Contingency (Note 13)
Subsequent events (Note 19)

APPROVED ON BEHALF OF THE BOARD ON SEPTEMBER 28, 2022

/s/ "Russ Rossi"
Russ Rossi, Director

/s/ "Jim Rosevear"
Jim Rosevear, Director

**QUIZAM MEDIA CORPORATION**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

| | Year Ended May 31, 2022 | Year Ended May 31, 2021 |
|---|---|---|
| | $ | $ |
| REVENUES | | |
| Retail sales | 6,331,559 | 3,740,387 |
| Training services and software sales | 545,986 | 318,700 |
| Consulting fees | - | 5,045 |
| | 6,877,545 | 4,064,132 |
| EXPENSES | | |
| Accounting and legal (Note 10) | 243,319 | 266,446 |
| Automobile | 63,003 | 32,798 |
| Bank charges and finance fees | 132,426 | 59,133 |
| Depreciation | 512,250 | 229,654 |
| Investor and finance development (Note 10) | 146,649 | 170,103 |
| Management fees (Note 10) | 224,100 | 134,000 |
| Office and miscellaneous (Note 10) | 759,031 | 623,608 |
| On-Track TV development costs (Note 9 and 10) | 129,361 | 103,790 |
| Pre-operating costs (Note 13a) | 971,000 | - |
| Regulatory fees | 17,276 | 41,753 |
| Rent | 13,371 | 5,995 |
| Research and development (Note 10) | 246,600 | 186,610 |
| Retail inventory (Note 3) | 3,968,562 | 2,311,291 |
| Software development costs (Note 10) | 97,475 | 91,200 |
| Share-based compensation (Note 10) | 106,296 | 275,028 |
| Subcontractors (Note 10) | 171,300 | 307,377 |
| Telephone and internet | 28,913 | 23,271 |
| Travel and business development (Note 10) | 528,347 | 148,311 |
| Wages and benefits (Note 10) | 885,736 | 569,071 |
| | 9,245,015 | 5,579,439 |
| LOSS BEFORE OTHER ITEMS | (2,367,470) | (1,515,307) |
| OTHER ITEMS | | |
| Interest income | 10,272 | – |
| Loss on termination of lease | (112,487) | – |
| Loss on settlement of debt | – | (420,000) |
| NET LOSS AND COMPREHENSIVE LOSS | (2,469,685) | (1,935,307) |
| LOSS PER SHARE BASIC AND DILUTED | (0.12) | (0.14) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | 21,221,000 | 14,170,000 |

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars)

| | Year Ended May 31, 2022 $ | Year Ended May 31, 2021 $ |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net loss | (2,469,685) | (1,935,307) |
| Add back non-cash items: | | |
| Depreciation | 512,250 | 229,653 |
| Share-based compensation | 106,296 | 275,028 |
| Shares issued for services | 63,000 | – |
| Shares issued for pre-operating costs | 100,000 | – |
| Loss on settlement of debt | – | 420,000 |
| Loss from termination of leases | 112,487 | – |
| Lease interest expense | 125,597 | 60,031 |
| | (1,450,055) | (950,595) |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 19,816 | (37,474) |
| Prepaid expenses and deposits | (2,168) | (49,517) |
| Sales taxes recoverable | 7,171 | 17,204 |
| Inventory | (148,845) | (101,696) |
| Accounts payable and accrued liabilities | 267,553 | (259,305) |
| Due to related parties | 193,572 | (239,932) |
| Deferred revenue | 7,530 | 8,405 |
| CASH USED IN OPERATING ACTIVITIES | (1,105,426) | (1,612,910) |
| FINANCING ACTIVITIES | | |
| Issuance of common shares, net | 903,850 | 2,366,500 |
| Share subscriptions received | 150,000 | - |
| Lease payments | (499,219) | (269,490) |
| Loan proceeds | – | 452,000 |
| Proceeds from warrant and options | – | 61,000 |
| CASH PROVIDED BY FINANCING ACTIVITIES | 554,631 | 2,610,010 |
| INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (91,681) | (82,001) |
| CASH USED IN INVESTING ACTIVITIES | (91,681) | (82,001) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (642,476) | 915,099 |
| CASH AND CASH EQUIVALENTS – BEGINNING | 921,534 | 6,435 |
| CASH AND CASH EQUIVALENTS – ENDING | 279,058 | 921,534 |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | – | – |
| Income tax paid | – | – |

**QUIZAM MEDIA CORPORATION**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**

**FOR THE YEARS ENDED MAY 31, 2022 AND 2021**

(Expressed in Canadian dollars)

| | Number of Common Shares | Amount $ | Contributed Surplus $ | Share Subscriptions Received $ | Deficit $ | Total $ |
|---|---|---|---|---|---|---|
| **As at May 31, 2020** | **5,947,704** | **21,083,180** | **2,750,976** | **–** | **(24,665,937)** | **(831,781)** |
| Units issued for cash | 9,900,000 | 2,366,500 | – | – | – | 2,366,500 |
| Share issuance costs | – | (158,199) | 158,199 | – | – | – |
| Shares issued for debt | 2,188,767 | 882,000 | – | – | – | 882,000 |
| Shares issued for exercise of warrants | 100,000 | 30,000 | – | – | – | 30,000 |
| Shares issued for exercise of options | 77,500 | 42,171 | (11,171) | – | – | 31,000 |
| Share-based compensation | – | – | 275,028 | – | – | 275,028 |
| Net loss for the year | – | – | – | – | (1,935,307) | (1,935,307) |
| **As at May 31, 2021** | **18,213,971** | **24,245,652** | **3,173,032** | **-** | **(26,601,244)** | **817,440** |
| | | | | | | |
| **As at May 31, 2021** | **18,213,971** | **24,245,652** | **3,173,032** | **–** | **(26,601,244)** | **817,440** |
| Units issued for cash | 6,000,000 | 800,000 | – | – | – | 800,000 |
| Shares issued for services | 285,424 | 63,000 | – | – | – | 63,000 |
| Shares issued for pre-operating costs | 434,783 | 100,000 | – | – | – | 100,000 |
| Shares issued for exercise of warrants | 337,500 | 101,250 | – | – | – | 101,250 |
| Shares issued for exercise of options | 6,000 | 3,265 | (865) | – | – | 2,400 |
| Share subscriptions received | – | – | – | 150,200 | – | 150,200 |
| Share-based compensation | – | – | 106,296 | – | – | 106,296 |
| Net loss for the year | – | – | – | – | (2,469,685) | (2,469,685) |
| **As at May 31, 2022** | **25,277,678** | **25,313,167** | **3,278,463** | **150,200** | **(29,070,929)** | **(329,099)** |

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

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

These 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 working capital deficit of $801,352 as at May 31, 2022 and a history of significant losses, sizeable accumulated deficits and negative cash flows from operations. These factors form a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on completing equity financings, obtaining support from related parties or generating consistent profitable operations in the future.

These consolidated financial statements do not include any adjustments related to the recoverability of assets and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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").

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, On-Track Computer Training Ltd., Quizam Entertainment LLC and Quantum 1 Cannabis Corp.

All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, have been eliminated on consolidation.

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

(Expressed in Canadian dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

| | Principal activity | Place of incorporation and operation | Ownership interest May 31, 2022 | May 31, 2021 |
|---|---|---|---|---|
| On-Track | Computer training and consulting services | Canada | 100% | 100% |
| Quizam Entertainment LLC | Inactive | United States | 100% | 100% |
| Quantum 1 Cannabis Corp. | Consulting services in Cannabis industry and retail dispensaries | Canada | 100% | 100% |

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 for accounts receivables, 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 and the determination of lease terms. 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 and its subsidiaries' 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.

## 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.

f) 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 loan payable

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

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The Company has the following types of revenue streams:

i. Training revenue

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

ii. On-Track TV revenue

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

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Revenue recognition (continued)

v. Movie distribution license revenue

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

vi. Consulting fee revenue

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

vii. Cannabis retail sales

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

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

l) Inventory

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

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

m) 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) 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.

o) 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.

p) Financial instruments

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

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

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

q) Leases and right-of-use assets

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

*Right-of-use ("ROU") asset*

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

(Expressed in Canadian dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Leases and right-of-use assets

*Lease liabilities*

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

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

## 3. INVENTORY

a) Inventory is comprised of the following:

| | May 31, 2022 $ | May 31, 2021 $ |
|---|---|---|
| Finished goods | 269,680 | 121,995 |
| Less: inventory write-down | – | (1,160) |
| Total inventory (lower of cost and NRV) | 269,680 | 120,835 |

Finished goods in the retail inventory expense for year ended May 31, 2022 amounted to $3,968,562 (2021 – $2,311,291). The reserve for impaired inventory is based on management estimates, past experience, condition of the inventory and regulatory changes. During the year ended May 31, 2022, the Company wrote-down inventory in the amount of $0 (2021 - $1,160) in relation to slow-moving accessories inventory**.**

(Expressed in Canadian dollars)

## 4. PROPERTY AND EQUIPMENT

a) Continuity tables:

| **Cost** | **Computer Hardware** | **Furniture and Fixtures** | **Leasehold Improvements** | **Library** | **Right-of-use Assets** | **Total** |
|---|---|---|---|---|---|---|
| As at May 31, 2020 | $ 421,661 | $ 110,008 | $ 107,779 | $ 6,751 | $1,061,175 | $1,707,374 |
| Additions | 12,563 | 47,646 | 21,792 | – | 249,519 | 331,520 |
| As at May 31, 2021 | $ 434,224 | $ 157,654 | $ 129,571 | $ 6,751 | $1,310,694 | $2,038,894 |
| Additions | 3,085 | 41,508 | 47,088 | – | 2,047,486 | 2,139,167 |
| Lease terminations | – | – | – | – | (573,733) | (573,733) |
| As at May 31, 2022 | $ 437,309 | $ 199,162 | $ 176,659 | $ 6,751 | $2,784,447 | $3,604,328 |
| **Accumulated Depreciation** | | | | | | |
| As at May 31, 2020 | $ 417,019 | $ 89,934 | $ 61,914 | $ 5,155 | $ 246,295 | $ 820,317 |
| Depreciation(b) | 5,475 | 10,455 | 19,723 | 399 | 314,299(b) | 350,351 |
| As at May 31, 2021 | $ 422,494 | $ 100,389 | $ 81,637 | $ 5,554 | $ 560,594 | $1,170,668 |
| Depreciation(b) | 5,601 | 19,834 | 26,580 | 399 | 480,169(b) | 532,583 |
| Lease terminations | – | – | – | – | (235,569) | (235,569) |
| As at May 31, 2022 | $ 428,095 | $ 120,223 | $ 108,217 | $ 5,953 | $ 805,194 | $1,467,682 |
| **Carrying Amounts** | | | | | | |
| Balance, May 31, 2021 | $ 11,730 | $ 57,265 | $ 47,934 | $ 1,197 | $ 750,100 | $ 868,226 |
| Balance, May 31, 2022 | $ 9,214 | $ 78,939 | $ 68,442 | $ 798 | $ 1,979,253 | $ 2,136,646 |

b) Total depreciation expense

Total depreciation expense for the year relating to right-of-use assets was $480,169 (2021 - $314,299) which is presented net of a $20,333 (2021 - $120,697) rental subsidy (Note 15) for a total net depreciation expense of $512,250 ($229,654) in the consolidated statement of operations and comprehensive loss.

## 5. SHARE CAPITAL

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

a) Transactions during the year ended May 31, 2022:

On June 25, 2021, the Company issued 6,000 shares upon the exercise of options at $0.40 per share for gross proceeds of $2,400.

On July 25, 2021, the Company issued 337,500 shares upon the exercise of warrants at $0.30 per share for gross proceeds of $101,250.

## 5. SHARE CAPITAL (continued)

On August 3, 2021, the Company issued 42,424 shares at a price of $0.495 per share for marketing services of $21,000.

On October 29, 2021, the Company issued 2,000,000 units at a price of $0.20 per unit for proceeds of $400,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable for eighteen months at a price of $0.40 per share.

On November 1, 2021, the Company issued 75,000 shares at a price of $0.28 per share for marketing services of $21,000.

On December 20, 2021, the Company issued 434,783 shares at a price of $0.23 per share for a total of $100,000 related to the retail cannabis development permit for the Cambie store (Note 13a).

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

On February 9, 2022, the Company issued 4,000,000 units at a price of $0.10 per unit for proceeds of $400,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable for eighteen months at a price of $0.25 per share.

*b) Transactions during the year ended May 31, 2021:*

On July 17, 2020, the Company issued 4,475,000 units at a price of $0.20 per unit for proceeds of $895,000. Each unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable for eighteen months at a price of $0.30 per share. The Company's CEO subscribed for 125,000 units.

On July 29, 2020, the Company issued 1,275,000 units at a price of $0.20 per unit for proceeds of $255,000. Each unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable for eighteen months at a price of $0.30 per share. The Company also issued 375,000 units of agents' warrants exercisable at $0.30 per share until January 30, 2022.

On August 5, 2020, the Company issued 2,100,000 shares at a price of $0.40 per share for settlement of debt of $840,000. The company recognized a loss on the settlement of the debt of $420,000.

On December 2, 2020, the Company issued 1,700,000 units at a price of $0.24 per unit for proceeds of $408,000. Each unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable for eighteen months at a price of $0.40 per share. The Company's CEO subscribed for 208,000 units.

On February 1, 2021, the Company issued 60,000 units at a price of $0.35 per unit for settlement of debt of $21,000.

On March 23, 2021, the Company issued 2,450,000 units at a price of $0.33 per unit for proceeds of $808,500. Each unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable for eighteen months at a price of $0.60 per share. The Company's CEO subscribed for 163,334 units.

On May 3, 2021, the Company issued 28,767 units at a price of $0.73 per unit for settlement of debt of $21,000.

(Expressed in Canadian dollars)

## 5. SHARE CAPITAL (continued)

During the year ended May 31, 2021, the Company issued 100,000 shares upon the exercise of warrants at $0.30 per share for gross proceeds of $30,000 and issued 77,500 shares upon the exercise of options at $0.40 per share for gross proceeds of $31,000.

## 6. STOCK OPTIONS

The Company grants stock options to directors, officers, employees, and consultants as compensation for services, pursuant to its Incentive Share Option Plan (the "Plan"). Under the Plan, the option exercise price must not be lower than the greater of the closing market prices of the common shares of the Company on the CSE on (a) the trading day prior to the date of grant of the stock options; and (b) the date of the grant of the stock options. The number of options that may be issued under the plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Options vest immediately. Vesting restrictions may also be applied to certain other options grants, at the discretion of the directors.

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

| | Number of Underlying Shares | Weighted Average Exercise Price |
|---|---|---|
| Outstanding, May 31, 2020 | 156,667 | $ 3.24 |
| Granted | 1,461,000 | 0.42 |
| Exercised | (77,500) | 0.40 |
| Expired | (152,500) | 0.27 |
| Outstanding, May 31, 2021 | 1,387,667 | $ 0.43 |
| Granted | 1,495,000 | 0.26 |
| Exercised | (6,000) | 0.40 |
| Expired | (1,286,667) | 0.41 |
| Outstanding, May 31, 2022 | 1,590,000 | $ 0.28 |

All of the options outstanding at May 31, 2022 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as at May 31, 2022 was 1.68 years (May 31, 2021 – 0.81 years).

The fair value for stock options granted during the years ended May 31, 2022 and 2021, was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

| | May 31, 2022 | May 31, 2021 |
|---|---|---|
| Risk-free interest rate | 0.18% | 0.25% |
| Expected life (in years) | 1.98 | 1.54 |
| Expected volatility | 123% | 157% |
| Expected forfeitures | 0% | 0% |
| Dividend yield | 0% | 0% |

The weighted average grant date fair value of stock options granted during the year ended May 31, 2022 was $0.07 (2021 - $0.42).

(Expressed in Canadian dollars)

## 7. SHARE PURCHASE WARRANTS

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

| | Number of Underlying Shares | Weighted Average Exercise Price |
|---|---|---|
| Balance, May 31, 2020 | 4,360,257 | $ 1.80 |
| Expired | (325,000) | 0.25 |
| Exercised | (100,000) | 0.30 |
| Issued | 5,325,000 | 0.38 |
| Balance, May 31, 2021 | 9,260,257 | $ 0.19 |
| Expired | (6,847,757) | 2.06 |
| Exercised | (337,500) | 0.30 |
| Issued | 3,000,000 | 0.30 |
| Balance, May 31, 2022 | 5,075,000 | $ 0.39 |

At May 31, 2022, the following share purchase warrants were outstanding:

| Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 850,000 | $0.40 | June 3, 2022 |
| 1,225,000 | $0.60 | September 26, 2022 |
| 1,000,000 | $0.40 | May 1, 2023 |
| 2,000,000 | $0.25 | February 9, 2024 |
| 5,075,000 | | |

The weighted average remaining contractual life of the warrants outstanding as at May 31, 2022, was 0.72 years (May 31, 2021 – 0.69 years).

(Expressed in Canadian dollars)

## 8. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance.

The Company derives revenue from two primary industries, Software and Cannabis. Software includes sales from training services, software sales and licensing sales. Cannabis includes retail product sales and consulting fee revenue.

(a) Training Services and UK On-Track TV sales and expenses for the years ended May 31, 2022 and 2021, respectively:

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Revenue | 545,986 | 312,650 |
| Expenses | (1,311,091) | (649,372) |

(b) Software and Licensing sales and expenses for the years ended May 31, 2022 and 2021, respectively:

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Revenue | – | 6,050 |
| Expenses | (113,875) | (115,700) |

(c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the years ended May 31, 2022 and 2021, respectively:

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Retail sales | 6,331,559 | 3,740,387 |
| Retail inventory | (3,975,493) | (2,311,291) |
| Consulting revenue | – | 5,045 |
| Other expenses | (2,874,473) | (1,234,472) |

(d) Head office expenses for the years ended May 31, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Revenue | 10,272 | – |
| Expenses | (1,082,571) | (1,045,384) |

(Expressed in Canadian dollars)

## 8. SEGMENTED INFORMATION (continued)

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 and Europe as follows:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Canada | 6,877,545 | 4,058,082 |
| Europe | – | 6,050 |
| | 6,877,545 | 4,064,132 |

## 9. PRODUCT DEVELOPMENT COSTS

(a) On-Track TV

The costs associated with development of the On-Track TV, which are included in expenses for the years ended May 31, 2022 and 2021, are as follows:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Salary, wages and fees | 46,511 | 4,615 |
| Production costs | 82,850 | 99,175 |
| | 129,361 | 103,790 |

(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, 2022 and 2021, are as follows:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Salary, wages and fees (management, programming and marketing) | – | – |
| Software development costs | 97,475 | 60,300 |
| | 97,475 | 60,300 |

(Expressed in Canadian dollars)

## 10. RELATED PARTY TRANSACTIONS

### *(a) Key management compensation*

The Company has identified its Directors, President and Chief Executive Officer, and Chief Financial Officer as its key management personnel and the compensation costs and fees related to them were recorded at their exchange amounts as agreed upon by transacting parties. Expenses incurred for key management compensation are summarized as follows:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Management fees | 224,100 | 134,000 |
| Share-based compensation | 66,500 | 102,000 |
| | 290,600 | 236,000 |

For the years ended May 31, 2022 and 2021, 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, 2022, $217,178 (May 31, 2021 – $23,606) was owed to a significant shareholder and companies owned by a significant shareholder, who is also a director and officer, and to a company owned by his relative.

### *(c) Related party transactions*

During the year ended May 31, 2022, an amount of $1,668,427 (2021 - $1,267,578) was included in expenses for services provided by companies owned by a significant shareholder, who is also a director and officer, and immediate family of the significant shareholder. The breakdown of expenses included in the consolidated statement of operations and comprehensive loss is as follows:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Accounting and legal | 140,650 | 97,700 |
| Investor and finance development | 118,685 | 78,100 |
| Management fees | 224,100 | 134,000 |
| Office and miscellaneous | 284,288 | 317,995 |
| On-Track TV development costs | 81,350 | 99,175 |
| Research and development | 229,750 | 168,600 |
| Software development costs | 35,600 | 93,275 |
| Subcontractors | 149,375 | 72,625 |
| Business development | 113,175 | 115,175 |
| Wages and benefits | 181,454 | 90,973 |
| Loss on termination of lease | 130,000 | – |
| | 1,688,427 | 1,267,578 |

## 11. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of $28,741,830 at May 31, 2022 (2020 - $27,418,684). The Company's principal source of capital is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital funding to be able to meet the Company's educational software development, internet training development and film production, retain cannabis operation and to ensure the growth of activities. The Company is not subject to external capital requirements.

## 12. LINE OF CREDIT

As at May 31, 2022, 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, 2022 and 2021.

## 13. COMMITMENTS AND CONTINGENCIES

a) In the 2022 fiscal year end the Company purchased a retail cannabis development permit from a third party in exchange for total consideration of $971,000 that is payable in $871,000 of cash and $100,000 in common shares of the Company. As at May 31, 2022 the Company owes $350,000 in future payments which are a commitment and are accrued for and included in accounts payable and accrued liabilities. The Company accounted for the $971,000 purchase as pre-operating costs under IAS 38.69 that were incurred prior to opening its Cambie Street store location and these costs are expensed. The development permit is temporary in nature in that the City of Vancouver requires an application to renew the permit each year. The development permit was acquired prior to the Company signing a store lease and before the Company received provincial and municipal licenses for the Cambie Street store, and the lease and licenses are all necessary in order for the Company operate a cannabis retail store.

b) From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company.

(Expressed in Canadian dollars)

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

| | May 31, 2022 $ | May 31 2021 $ |
|---|---|---|
| FVTPL (i) | 279,058 | 921,534 |
| Financial assets at amortized cost (ii) | 47,945 | 67,761 |
| Financial liabilities at amortized cost (iii) | (3,121,724) | (1,228,745) |

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

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

| | Level | May 31, 2022 | May 31, 2021 $ |
|---|---|---|---|
| Cash and cash equivalents | 1 | 279,058 | 921,534 |

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, to minimize operational and legal risks.

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

*Credit Risk*

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

The following table provides information regarding the aging of financial assets that are past due but which are not impaired as at May 31, 2022:

| | Neither past due nor impaired | 31-60 days | 61-90 days | 91 days and over | Carrying value |
|---|---|---|---|---|---|
| Trade accounts receivable (excluding GST recoverable) | $ 46,254 | - | - | 1,691 | 47,945 |

*Liquidity Risk*

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

*Foreign Exchange Risk*

As the Company generates a portion of its revenues in the U.S. and the United Kingdom, the Company's foreign exchange risk arises with respect to the U.S. dollar and the British pound. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 0% of the Company's revenues are denominated in U.S. dollars or British pounds in the year ended May 31, 2022 (2021 –0% and less than 1%, respectively) while a significant amount of the Company's expenses is denominated in Canadian dollars. Fluctuation of foreign exchange rate between U.S. dollar, British pound and Canadian dollar is not considered to have a material impact on the Company's financial statements.

*Interest Rate Risk*

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

## 15. GOVERNMENT GRANTS

*Canada Emergency Wage Subsidy (CEWS)*

The Federal Government of Canada passed legislation, providing Canada Emergency Wage Subsidy on April 11, 2020. CEWS is a wage subsidy for eligible Canadian employers whose business has been affected by COVID-19. The CEWS was originally for up to 24 weeks, retroactive from March 15, 2020 to June 6, 2020.

At May 31, 2022, an amount of $44,615 CEWS (2021 – $140,150) was credit to wage and benefits in the consolidated statements of operations and comprehensive loss, an amount of $44,615 CEWS (2021 – $134,450) was received before May 31, 2022 and the remainder of $nil (2021 – $5,700) was received subsequent to year end. There are no unfulfilled conditions and outstanding contingencies regarding the CEWS.

*Canada Emergency Commercial Rent Assistance (CECRA)*

The Federal Government of Canada, in partnership with the provinces and territories, introduced Canada Emergency Commercial Rent Assistance to relief for businesses experiencing financial hardship due to COVID-19 for the months of April to September 2020. Over the course of the program, property owners were to reduce rent by at lease 75% of the gross rent. CECRA covered 50% of the rent, with the tenant paying up to 25% and the property owner forgiving at least 25%. The Company's landlord applied CECRA for all eligible tenants in the property.

At May 31, 2022, an amount of $nil CECRA (2021 - $81,164) was received, of which $nil (2021 - $3,865) was GST. The Company has applied the practical expedient of IFRS 16 for lessees in its consolidated financial statements for all rent concessions beginning on June 1, 2020. For the year ended May 31, 2022, the Company recorded $nil (2021 - $77,299) of rent concessions (in the form of rent reduction from landlord and CECRA) as a reduction to interest ($nil (2021 - $7,299)) and depreciation ($nil (2021 - $70,000)) expenses.

*Canada Emergency Rent Subsidy (CERS)*

The Canadian government introduced the new Canada Emergency Rent Subsidy to provide direct relief to businesses, non-profits, and charities that continue to be economically impacted by the COVID-19 pandemic on October 9, 2020. The new rent subsidy was available from September 27, 2020 to November 2021. The qualifying organizations that have suffered a revenue drop would be eligible for a subsidy on eligible expenses, like rent.

At May 31, 2022, an amount of $22,131 (2021 - $56,994) was received. The Company has applied the practical expedient of IFRS 16 for lessees in its consolidated financial statements for all rent subsidy beginning on June 1, 2020. For the year ended May 31, 2022, the Company recorded $22,131 (2021 - $56,994) of rent subsidy as a reduction to interest ($1,798 (2021 - $6,326)) and depreciation ($20,333 (2021 - $50,668)) expenses. There are no unfulfilled conditions and outstanding contingencies regarding the CERS.

(Expressed in Canadian dollars)

## 16. LOANS

*Canada Emergency Business Account (CEBA)*

CEBA is originally launched on April 9, 2020, to support businesses by providing financing for their expenses that cannot be avoided or deferred as they take steps to safely navigate a period of shutdown due to COVID-19. The program provides interest-free loans of up to $60,000. Repaying the balance of the loan on or before December 31, 2023 will result in loan forgiveness of up to 33% (up to $20,000).

The Company obtained the amount of $60,000 CEBA loan from the Vancouver City Savings Credit Union (Vancity). The loan agreement states that the Company has an option to extend the Credit Facility to a 3-year Term Loan with the interest rate is 5% per annum from January 1, 2024 until December 31, 2026, and the interest rate is 0% prior December 31, 2023. No principal repayments are required before December 31, 2023. If the loan remains outstanding after December 31, 2023, only interest payments are required until the full principal is due on December 31, 2025. The Company has a strong intention to repay the loan by end of December 31, 2023.

*Short Term Loan from a private investor*

The Company received a loan of $30,000 from a private investor at 12% of annual interest rate on April 1, 2020 for supporting general working capital purpose. The loan was settled on July 17, 2020 through issuance of 150,000 units to the investor in the Company's July 2020 private placement. The units consisted of one common share and one-half of a warrant, exercisable at a price of $0.20 for a period of 18 months. Interest paid was $300 as at May 31, 2021, and total interest paid for the loan was $900.

## 17. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

Lease liabilities consists of leases for office space and storefront locations. The leases have been discounted using a 7% interest rate.

| | |
|---|---|
| Balance at May 31, 2020 | $ 843,149 |
| Additions | 249,516 |
| Interest expense | 60,031 |
| Less: rental subsidy | (120,697) |
| Lease payments | (269,490) |
| Balance at May 31, 2021 | 762,509 |
| Additions | 2,045,209 |
| Interest expense | 125,597 |
| Lease terminations | (355,677) |
| Less: rental subsidy | (20,333) |
| Lease payments | (499,219) |
| Balance at May 31, 2022 | 2,058,086 |
| Less: current portion | (433,693) |
| | $ 1,624,393 |

(Expressed in Canadian dollars)

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

As at May 31, 2022, the balance of the right-of-use asset is as follows:

| | |
|---|---|
| Balance at May 31, 2020 | $ 814,880 |
| Addition | 249,519 |
| Depreciation | (314,299) |
| Balance at May 31, 2021 | $ 750,100 |
| Addition | 2,186,797 |
| Lease terminations | (477,475) |
| Depreciation | (480,169) |
| Balance at May 31, 2022 | $ 1,979,253 |

## 18. INCOME TAXES

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

| | **2022** | **2021** |
|---|---|---|
| Canadian statutory income tax rate | 27% | 27% |
| Net loss before tax per financial statements | $ (2,469,685) | $ (1,935,307) |
| Income tax recoverable at statutory rate | 666,815 | 522,532 |
| Permanent differences and other | (17,093) | (14,964) |
| Differences in future tax rate | - | - |
| Unrecognized tax assets | (649,722) | (507,568) |
| Income tax recoverable | $ - | $ - |

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

| | **2022** | **2021** |
|---|---|---|
| Deferred income tax assets: | | |
| Non-capital loss carried forward | $ 5,857,385 | $ 5,207,498 |
| Property, equipment and other | 117,617 | 104,270 |
| Share issuance costs | 26,852 | 40,366 |
| | 6,001,855 | 5,352,133 |
| Less: unrecognized deferred tax assets | (6,001,855) | (5,352,133) |
| Net deferred income tax assets | $ - | $ - |

(Expressed in Canadian dollars)

## 18. INCOME TAXES (continued)

The Company has approximately $21,694,020 in Canadian non-capital losses for tax purposes which may be used to reduce income taxes in future years and will expire as follows:

| Year | Amount |
|---|---|
| 2026 | $ 834,329 |
| 2027 | 1,065,796 |
| 2028 | 1,255,435 |
| 2029 | 1,159,201 |
| 2030 | 980,292 |
| 2031 | 1,069,816 |
| 2032 | 1,039,129 |
| 2033 | 680,374 |
| 2034 | 885,536 |
| 2035 | 955,183 |
| 2036 | 1,278,023 |
| 2037 | 1,672,765 |
| 2038 | 1,023,436 |
| 2039 | 2,077,594 |
| 2040 | 1,617,204 |
| 2041 | 1,692,917 |
| 2042 | 2,406,992 |
| | $ 21,694,020 |

## 19. SUBSEQUENT EVENTS

On June 3, 2022, the Company issued 4,000,000 units at a price of $0.06 per unit for proceeds of $240,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable for twenty-four months at a price of $0.20 per share. The Company's CEO subscribed for 755,000 units. Proceeds of $150,200 were received in advance and are recorded as subscriptions received as at May 31, 2022.

On June 1, 2022, the Company signed a production agreement for a feature film documentary with a production fee cost of $100,000 which is payable over future milestone dates through to its estimated completion in 2023.

On August 19, 2022, the Company issued 4,000,000 units at a price of $0.05 per unit for proceeds of $200,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable for twenty-four months at a price of $0.10 per share. The Company's CEO subscribed for 800,000 units.

**Form 51-102F1**
**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, 1.6, 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-Track TV; increasing our On-Track TV 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 Canadian retail market. This 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. There is a high possibility of becoming a complement or a substitute for liquor favors to recreational cannabis industry. On-Track TV 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, 2022, 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 28, 2022

# 1.2 Overall Performance

Quizam Media operates 3 divisions of business - Retail Cannabis, Corporate Learning/Training and Movie Production.

The Cannabis retail division is operated through Quantum 1 Cannabis Corp., a wholly owned subsidiary of Quizam Media. Quantum was among the first to aggressively go after Retail Licenses when it became legal in Canada late 2018. Quantum initially opened 6 stores in British Columbia as follows: Keremeos in November 2019, Grand Forks in January 2020, Vernon in April 2020, Creston in November 2020, North Vancouver in August 2020 and Vancouver in November 2021. We are pleased with the sales and gross profit growth over the period. During our initial year in Cannabis (year ending May 31, 2020) our Gross Sales (not including taxes) were approximately $201,000. During the year ended May 31, 2021, we realized approximately $3.8 million in sales. During the year ended May 31, 2022, we realized approximately $6.4 million in sales. The growth during the year ended May 31, 2022 compared to the year ended May 31, 2021 (both Revenue and Gross Profit) was approximately 70%.

With respect to our Vancouver location on Cambie street in the 2022 fiscal year the Company purchased a retail cannabis development permit in exchange for total consideration of $971,000 that is payable in $871,000 of cash and $100,000 in common shares of the Company. As at May 31,2022 the Company owes $350,000 in future payments which are a commitment and are accrued for and include in accounts payable and accrued liabilities. The Company accounted for the $971,000 purchase as pre-operating costs under IAS 38.69 that were incurred prior to opening its Cambie street store location and these costs are expensed. The development permit is temporary in nature in that Vancouver requires you to renew it each year. The Development Permit was acquired prior to the Company signing a store lease and before the Company received provincial and municipal licenses for the Cambie street store, and the lease and licenses are all necessary in order for the company operate a cannabis retail store. Currently the Cambie location has all permits and licenses in good standing. The Lease is a 5 year lease with an option for another 5 years. Since May 31, 2022 another $150,000 has been paid so the amount owing is $200,000.

After more than a year of operations, management decided to close Creston and Grand Forks because they were not profitable. Quantum currently operates 4 stores in British Columbia.

The Corporate Learning division is called On-Track. Within On-Track there are 3 divisions. On-Track Corporate Training (face to face consulting), On-Track Online Live (face to face but online) and OntrackTV (a large library of short vignettes).

On-Track Corporate Training faced some challenges during Covid19 as many classes had to be cancelled and many of the Company's regular clients did not want to send their employees for training. As Covid19 has passed, we are now seeing a resurgence of customers booking classes and coming to our offices for training. On-Track Corporate Training is well known in the marketplace and we expect our business to grow this year. In September 2022 we launched our brand new On-Track.com website. Response has been positive.

One positive aspect of Covid19 is that it introduced many companies to On-Line Video Conferencing. Programs and Apps like "Go To Meeting" and "Zoom" have become well known and accepted by everyone. This has helped enhanced the attractiveness of our On-Track Online Live division. We have seen a significant surge in the demand for on-line training. Management is very encouraged by this trend in the market. Firstly, On-Track On-Line Live (OTOLL) is perfectly equipped to handle this mode of delivery. Secondly, (and most importantly) this greatly increases our reach and our capacity. Students can now login into an OTOLL session from anywhere in the world and our class size is virtually unlimited.

OTOLL is marketing to several cities beyond Vancouver and attracting customers from a global market place. We expect to see this grow significantly. It's worth to note that the Company competes in the global marketplace and the continued devalued Canadian Dollar is helping to make our product more competitive globally.

OntrackTV is an online library of short learning vignettes. Over the last 16 months the Company has done an extensive rewrite of the application. The key goals were to a) make the application super simple and visually pleasing on a cell phone, a desktop or a tablet; and b) have a slick and speedy search algorithm that can find anything quickly. We have achieved these goals and are excited about launching the App in the coming months. Currently, our model is for anyone to browse the myriad of courses for free but if you want to login and use all the "Settings Tools" and "Tracking Tools" then you will have to pay a modest subscription fee. Additionally, we have a Corporate Login Ability where clients can "White Label" the login with their logo and add their own content strictly for their team. Overall, we are very excited about this app and we see positive growth potential. The current Beta Version is available for view at www.beta.ontracktv.com.

The Company's Movie Division is operated through Quizam Entertainment. In June 2022, we signed a deal with Award Winning Producers Everett Bumstead and Kenrick Block for a new Feature Film Documentary entitled "The Forest For The Fires".

This documentary film is about the wildfire fighters shot across the northwest from Haida Gwaii to Revelstoke. The film will center on the human element. Specifically, the brave people that fight wildfires in British Columbia and the unique culture of artists, athletes and entrepreneurs that spend their summers protecting the line between the human and natural world.

Producers Everett Bumstead and Kenrick Block won two Leo awards in 2021 (best directing and best editing in a documentary) for their highly acclaimed film “One Million Trees”.

Quizam is the sole executive producer and owner of the project which is expected to be completed in February 2023. We will be marketing this film to various distributors including, but not limited to, NetFlix and Amazon Prime.

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 and running a tight ship in order to increase profitability;

b) Increase of pricing in all areas;

c) 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 and companies beyond the Vancouver boundary as clients for On-track online live and OntrackTV;

e) Continue to develop OntrackTV markets in the UK, North America, and Southeast Asia and sell more regional Ontracktkv licenses;

f) Continue to develop components to OntrackTV;

g) Complete production of our current Forest Fire Documentation due to be released in May 2023;

h) 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;

i) Expand 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 18 months; and

j) Launch and market our new OntrackTV version by November 2022.

## 1.3 Selected Annual Information

| | Year Ended May 31, 2022 $ | Year Ended May 31, 2021 $ | Year Ended May 31, 2020 $ |
|---|---|---|---|
| a) Total revenue | 6,877,545 | 4,064,132 | 818,557 |
| b) Net loss before other items | (2,367,470) | (1,515,307) | (1,789,825) |
| c) Net loss | (2,469,685) | (1,935,307) | (1,677,827) |
| c) Net loss (per share) | (0.12) | (0.14) | (0.32)* |
| d) Total assets | 2,821,988 | 2,068,018 | 1,000,269 |
| e) Long-term liabilities | 1,664,393 | 515,265 | 616,307 |
| f) Cash dividends | 0 | 0 | 0 |

* Adjusted for 12 to 1 share consolidation

## 1.4 Discussion of Operations

Revenue for the year ended May 31, 2022, increased to $6,877,545 compared to $4,064,132 during the year ended May 31, 2021. This increase was mostly due to non-medical cannabis retail business which increased by $2,591,172. Operating expenses increased from $5,579,439 during the year ended May 31, 2021, to $9,245,015 during the year ended May 31, 2022. The increase of $3,665,576 was mainly a result of an increase in retail inventory expenses of $1,657,271, office and miscellaneous expenses of $1,106,423, travel and business development expense of $380,036, depreciation expense of $282,596, and wages and benefits expenses of $316,665. Net loss increased to $2,469,685 during the year ended May 31, 2022 compared to $1,935,307 during the year ended May 31, 2021. Net loss increased by $534,378 as a result of the increase in expenses as noted above.

The significant changes were as follows:

- Retail inventory costs increased to $3,968,562 for the year ended May 31, 2022 (2021 - $2,311,291). The retail inventory costs increased as a result of an increase in the sale of non-medical cannabis.
- Office and miscellaneous increased to $1,730,031 for the year ended May 31, 2022 (2021 - $623,608). The increase is a result of one more retail store in operation and increased supplies for COVID-19.
- Travel and business development fees increased to $528,347 for the year ended May 31, 2022 (2021 - $148,311). The increase is primarily a result of a business development cost incurred for the sole purpose of securing a location for the new Cambie store.
- Depreciation costs increased to $512,250 for the year ended May 31, 2022 (2021 - $229,654). The increase is a result of significantly more right-of-use assets and their related depreciation by renting more stores as compared to the year ended May 31, 2021.

- Wages and benefits expenses increased to $885,736 for the year ended May 31, 2022 (2021 - $569,071). The increase is a result of more employees due to the increase in number of retail outlets as compared to the year ended May 31, 2021.

The Company has applied and received Canada Emergency Wage Subsidy, CEBA loan and CECRA rent assistant program which helped the short-term liquidity of the Company.

Revenue information by segment is as follows:

(a) Training Services and UK On-Track TV sales and expenses for the years ended May 31, 2022 and 2021, respectively:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Revenue | 545,986 | 312,650 |
| Expenses | (1,311,091) | (649,372) |

(b) Software and Licensing sales and expenses for the years ended May 31, 2022 and 2021, respectively:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Revenue | – | 6,050 |
| Expenses | (113,875) | (115,700) |

(c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the years ended May 31, 2022 and 2021, respectively:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Retail sales | 6,331,559 | 3,740,387 |
| Retail inventory | (3,975,493) | (2,311,291) |
| Consulting revenue | – | 5,045 |
| Other expenses | (2,524,473) | (1,234,472) |

## 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 (IFRS) in Canadian dollars.

| Description | May 31, 2022 | February 28, 2022 | November 30, 2021 | August 31, 2021 | May 31, 2021 | February 28, 2021 | November 30, 2020 | August 31, 2020 |
|---|---|---|---|---|---|---|---|---|
| Total Revenue | $1,926,172 | $1,747,037 | $1,598,929 | $1,605,407 | $1,452,408 | $1,305,939 | $953,926 | $351,859 |
| Loss before other items | $(562,738) | $(870,888) | $(478,952) | $(454,892) | $(415,835) | $(288,791) | $(210,229) | $(600,452) |
| Net loss for the period | $(675,225) | $(870,888) | $(475,848) | $(447,724) | $(749,391) | $(375,235) | $(210,229) | $(600,452) |
| Net loss per share, basic and diluted | $(0.04) | $(0.04) | $(0.02) | $(0.02) | $(0.04) | $(0.02) | $(0.02) | $(0.06) |

Revenue increased during the three months ended May 31, 2022 mainly as a result of an increase in cannabis retail from stores revenue of $105,051 and an increase in training services and software sale revenues of $74,084. Net loss for the period decreased during the three months ended May 31, 2022, as a result of a decrease in investor and finance development, office and miscellaneous, and share-based compensation.

Revenue increased during the three months ended February 28, 2022 as a result of an increase in cannabis retail from stores revenue of $96,606 and an increase in training services and software sale revenues of $51,502. Net loss increased during the third quarter ended February 28, 2022, as a result of an increase in retail inventory, office and miscellaneous, travel and business development, research and development, accounting and legal, wages and benefits and loss from termination of leases.

Revenue decreased during the three months ended November 30, 2021 as a result of a decrease in cannabis retail from stores revenue of $20,884, partially offset by an increase in training services and software sale revenues of $14,406. Net loss increased during the second quarter ended November 30, 2021, as a result of an increase in retail inventory, office and miscellaneous, travel and business development, research and development, depreciation and wages and benefits being offset by an increase in revenue and decrease in subcontractors and share-based compensation.

Revenue increased during the three months ended August 31, 2021 as a result of an increase in cannabis retail from stores revenue of $154,695. Net loss decreased during the first quarter ended August 31, 2021, as a result of an increase in retail inventory, office and miscellaneous, travel and business development, and wages and benefits being offset by an increase in revenue and decrease in research and development costs, subcontractors and share-based compensation.

Revenue increased during three months ended May 31, 2021 mainly as a result of an increase in cannabis retail from stores revenue of $176,531. Net loss for the period increased during the three months ended May 31, 2021, as a result of an increase in retail inventory, software development costs, office and miscellaneous, On Track TV development costs, share-based compensation, and regulatory fee costs.

Revenue increased during the three months ended February 28, 2021 mainly as a result of an increase in cannabis retail from stores revenue of $311,394. Net loss for the period increased during the three months ended February 28, 2021, as a result of an increase in retail inventory, office and miscellaneous, share-based compensation, and software development costs.

Revenue increased during the three months ended November 30, 2020 mainly as a result of an increase in cannabis retail from stores revenue of $584,401. Net loss for the period decreased during the three months ended November 30, 2020, as a result of an increase in retail inventory, accounting and legal, automobile, office and miscellaneous, share-based compensation, and wages and benefits.

## 1.6 Liquidity

The Company's liquidity is as follows:

| | May 31, 2022 | May 31, 2021 |
|---|---|---|
| Cash and cash equivalents | $279,058 | $921,534 |
| Accounts receivable | $47,945 | $67,761 |
| Accounts payable and accrued liabilities | $786,460 | $382,630 |
| Due to related parties | $217,178 | $23,606 |
| Lease liabilities – current portion | $433,693 | $307,244 |
| Working capital surplus (deficiency) | $(801,352) | $384,479 |

As at May 31, 2022, the Company had cash and cash equivalents of $279,058 and a working capital deficiency of $801,352 compared to cash and cash equivalents of $921,534 and a working capital surplus of $384,479 as at May 31, 2021.

During the year ended May 31, 2022, the Company used $1,105,426 of cash for operating activities compared to $1,612,910 in the comparative period. The Company has financed its operations for the last two years mainly through the issuance of share capital. The Company has raised $1,053,850 (2021 - $2,427,500) through subscription of share capital during the twelve months ended May 31, 2022. The Company has incurred losses as it continues to develop its software products and start-up in the Cannabis industry. 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. The Company will continue to improve its cash positions by focusing on increasing sales, improving profitability and equity financings.

Due to the rapidly evolving COVID-19 pandemic from March 2020 to May 2022, the Company's training service revenue has been impacted since late March 2020, and COVID-19 has significantly influenced face-to-face training since April 2020. Most of the trainings are done on-line virtually now. On the other hand, the revenue from cannabis stores has continually increased since the first store was opened; this provides certain liquidity to the Company. Quantum 1 currently operates 4 retail stores in BC and any unexpected situations arising from COVID-19 may affect the Company's liquidity in the future.

## 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.

The Company currently has 33,277,678 shares issued.

The Company has signed a rental agreement effective until August 31, 2027 for the lease of its head office in Vancouver. The Company signed five rental agreements for store-front retail outlets for its cannabis operations. The Company's current value of the future lease payments as at May 31, 2022 was $2,058,086.

## 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, 2022 | May 31, 2021 |
|---|---|---|
| Management fees | $ 224,100 | $ 134,000 |
| Share-based compensation | 66,500 | 102,000 |
| | $ 290,600 | $ 236,000 |

For the year ended May 31, 2022 and 2021, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

At May 31, 2022, $217,178 (2021 - $23,606) 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, 2022, an amount of $1,668,427 (2021 - $1,267,578) 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 (see Note 10 of the consolidated financial statements).

## 1.10 Fourth Quarter Information

During the last quarter of fiscal 2022, the Company's training service revenue has increased as compared to the last quarter of the year ended May 31, 2021. This increase is mostly due to Covid restrictions being lifted and businesses starting to get back to normal.

During the last quarter of fiscal 2022, the Company's revenue from retail cannabis sales increased as compared to the last quarter of the year ended May 31, 2021. The increase is a result of having more retail locations opened during the last quarter of fiscal 2022 as compared to the last quarter of 2021.

Total revenue generated in the three-month period ended May 31, 2022 was $1,926,172 as compared to $1,452,408 generated during the three-month period ended May 31, 2021.

Due to the retail cannabis business expansion that took place during 2022, the Company's expenses also increased from $1,868,244 in the last quarter of 2021 to $2,488,909 in the same period of fiscal 2022. This was a result of expansion imposed on inventory retail, wage and benefits costs, and share-based compensation costs. These increases in expenses have been offset by an increase in cannabis retail revenue. The overall loss before other items has decreased from $415,835 in the last quarter of 2021 to $562,738 in the same period of fiscal 2022.

## 1.11 Proposed Transactions

None

## 1.12 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, expected lives of long-lived assets, and the recognition of deferred income tax 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, 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.

## 1.13 Changes in Accounting Policies including Initial Adoption

*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, 2022, or later periods. The Company believes that these new standards are not applicable or are not consequential to the Company and won't have a material effect on its consolidated financial statements.

## 1.14 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 classification 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 classified into one of three categories: amortized cost, fair value through other comprehensive income ("FVTOCI) or fair value through profit or loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost using effective interest method, except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments as below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination.

Financial instruments comprise cash and cash equivalents, accounts receivable, accounts payable 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 and cash equivalents are measured at FVTPL.

b) Financial liabilities

Financial liabilities at amortized cost include accounts payable and accounts payable 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, 2022<br>$ | May 31, 2021<br>$ |
|---|---:|---:|
| FVTPL (i) | 279,058 | 921,534 |
| Financial assets at amortized cost (ii) | 47,945 | 67,761 |
| Financial liabilities at amortized cost (iii) | (3,121,724) | (1,228,745) |

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

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market date.

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, 2022 | May 31, 2021 |
|---|---|---|---|
| Cash and cash equivalents | 1 | $279,058 | $921,534 |

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 customers. As a result of evolving COVID-19 pandemic, the collection period of accounts receivable becomes longer, which increases the credit risk. Since the Company manages its credit risk by only working with reputable companies, the Company has reasonable assurance of collectability of the considerations. The Company continuously manages its exposure to credit risk by only working with reputable companies and by performing on-going credit evaluations of its customers' financial conditions 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, 2022:

| | | Neither past due nor impaired | 31-60 days | 61-90 days | 91 days and over | Carrying value |
|---|---|---|---|---|---|---|
| Trade accounts receivable | $ | 46,254 | – | – | 1,691 | 47,945 |

*Liquidity Risk*

The Company manages its ability to meet its short-term obligations through the capital management policy described in Note 11 to the consolidated financial statements. The Company has a working capital deficit and requires additional financing to fund operations and because of the evolving COVID-19 pandemic, the risk of liquidity has increased. The revenue from face-to-face training has been influenced since March 2020, and the collection of accounts receivable is slower. The Company still can manage its ability to meet its short-term obligations. The Company has applied and received subsidies, like CEWS, CEBA loan, CECRA and CERS, to help the short-term liquidity of the Company.

*Foreign Exchange Risk*

As the Company generates a portion of its revenues in the U.S. and the United Kingdom, the Company's foreign exchange risk arises with respect to the U.S. dollar and the British pound. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 0% of the Company's revenues are denominated in U.S. dollars or British pounds in the year ended May 31, 2022 (2021 –0% and less than 1%, respectively) while a significant amount of the Company's expenses is denominated in Canadian dollars. Fluctuation of foreign exchange rate between U.S. dollar, British pound and Canadian dollar is not considered to have a material impact on the Company's financial statements.

*Interest Rate Risk*

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

# 1.15 Additional Information

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

# 1.16 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, 2022 | Number of shares issued or issuable as at September 28, 2022 |
|---|---|---|
| Common shares | 25,277,678 | 33,277,678 |
| Stock options | 1,590,000 | 1,590,000 |
| Warrants | 5,075,000 | 7,000,000 |

On June 3, 2022, the Company issued 4,000,000 units at a price of $0.06 per unit for proceeds of $240,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable for twenty-four months at a price of $0.20 per share. The Company's CEO subscribed for 755,000 units. Proceeds of $150,200 were received prior to May 31, 2022.

On August 19, 2022, the Company issued 4,000,000 units at a price of $0.05 per unit for proceeds of $200,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant is exercisable for twenty-four months at a price of $0.10 per share. The Company's CEO subscribed for 800,000 units.