



QUIZAM MEDIA CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
NOVEMBER 30, 2019 AND 2018
(Unaudited)

The accompanying unaudited interim financial statements have been prepared by Management of Quizam Media Corporation and have not been reviewed by the Company's auditors

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

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	As at November 30, 2019 \$	As at May 31, 2019 \$
ASSETS		
Current		
Cash and cash equivalents	973	252,278
Accounts receivable	41,095	17,236
Sales taxes recoverable	4,665	43,858
Prepaid expenses and deposits	34,017	32,256
Inventory	13,856	–
Total current assets	94,606	345,628
Property and equipment (Note 3)	1,206,210	79,210
Total assets	1,300,816	424,838
LIABILITIES		
Current		
Accounts payable and accrued liabilities	319,115	275,915
Deferred lease inducement	–	26,956
Deferred revenue	20,598	49,260
Due to related parties (Note 9)	189,486	238,246
Lease liabilities – Current (Note 13)	259,709	–
	788,908	590,377
Deferred lease inducement	–	9,519
Lease liabilities – Long-term (Note 13)	883,872	–
Total liabilities	1,672,780	599,896
DEFICIENCY		
Share capital (Note 4)	20,613,080	20,115,171
Contributed surplus	2,734,356	2,734,356
Deficit	(23,719,400)	(23,024,585)
Total deficiency	(371,964)	(175,058)
Total liabilities and deficiency	1,300,816	424,838

Nature and continuance of operations (Note 1)

APPROVED ON BEHALF OF THE BOARD ON JANUARY 29, 2020

/s/ "Russ Rossi"

Russ Rossi, Director

/s/ "Jim Rosevear"

Jim Rosevear, Director

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

QUIZAM MEDIA CORPORATION**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Three Months Ending November 30 2019 \$	Three Months Ending November 30 2018 \$	Six Months Ending November 30 2019 \$	Six Months Ending November 30 2018 \$
REVENUES				
Training services and software sales	130,027	161,003	272,277	445,050
Consulting fees	–	–	169,693	–
Retail sales	7,709	–	7,709	–
	137,736	161,003	449,679	445,050
EXPENSES				
Cost of goods sold	5,377	–	5,377	–
Accounting and legal (Note 9)	59,710	51,456	82,655	83,296
Automobile	6,572	7,628	15,359	13,612
Bank charges and finance fees	25,214	9,169	53,342	15,775
Depreciation	86,570	8,043	183,407	15,899
Investor and finance development (Note 9)	26,599	41,628	52,066	68,709
Management fees (Note 9)	36,000	36,000	72,000	72,000
Office and miscellaneous (Note 9)	55,305	68,750	87,481	78,171
On-Track TV development costs (Note 8 and 9)	9,976	103,692	31,900	166,614
Regulatory fees	10,970	5,608	13,624	8,273
Rent	28,587	47,654	51,962	95,181
Research and development (Note 9)	8,900	132,010	99,000	185,785
Software development costs (Note 9)	–	–	11,500	–
Share-based compensation	–	277,457	–	277,457
Subcontractors (Note 9)	57,189	36,049	258,557	79,192
Telephone and internet	8,149	5,194	16,040	10,889
Travel and business development (Note 9)	42,927	160,189	102,404	220,813
Wages and benefits (Note 9)	79,225	60,435	156,112	120,385
	547,270	1,050,962	1,292,786	1,512,051
LOSS BEFORE OTHER ITEMS	(409,534)	(889,959)	(843,107)	(1,067,001)
OTHER ITEMS				
Interest income	–	180	–	270
Gain on settlement of debt	111,817	–	111,817	–
NET LOSS AND COMPREHENSIVE LOSS	(297,717)	(889,779)	(731,290)	(1,066,731)
LOSS PER SHARE BASIC AND DILUTED	(0.01)	(0.02)	(0.01)	(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	59,452,000	38,879,000	57,099,000	35,116,000

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

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Six Months Ending November 30, 2019 \$	Six Months Ending November 30, 2018 \$
OPERATING ACTIVITIES		
Net loss	(731,290)	(1,066,731)
Add back non-cash items:		
Depreciation	183,407	15,899
Share-based compensation	–	277,457
Gain on settlement of debt	(111,817)	–
	(659,700)	(773,375)
Changes in non-cash working capital items:		
Accounts receivable	(23,859)	(104,167)
Prepaid expenses and deposits	(1,761)	3,925
Taxes recoverable	39,193	7,117
Inventory	(13,856)	–
Accounts payable and accrued liabilities	56,354	(50,092)
Deferred lease inducement	–	(649)
Due to related parties	(48,760)	(161,509)
Deferred revenue	(28,662)	13,324
CASH USED IN OPERATING ACTIVITIES	(681,051)	(1,065,426)
FINANCING ACTIVITIES		
Repayment of principal portion of lease liability	(41,349)	–
Issuance of common shares, net	497,909	1,529,800
Share subscriptions received	–	–
CASH PROVIDED BY FINANCING ACTIVITIES	456,560	1,529,800
INVESTING ACTIVITIES		
Acquisition of property and equipment	(26,814)	(5,685)
CASH USED IN INVESTING ACTIVITIES	(26,814)	(5,685)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(251,305)	458,689
CASH AND CASH EQUIVALENTS – BEGINNING OF THE PERIOD	252,278	76,253
CASH AND CASH EQUIVALENTS – END OF THE PERIOD	973	534,942
SUPPLEMENTAL INFORMATION		
Interest paid	–	–
Income tax paid	–	–

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

QUIZAM MEDIA CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Number of Common Shares	Amount \$	Contributed Surplus \$	Share Subscriptions (Receivable) Received \$	Deficit \$	Total \$
As at May 31, 2018	30,937,044	18,138,016	2,439,630	(105,800)	(20,634,111)	(162,265)
Units issued for cash	17,225,000	1,384,000	–	–	–	1,384,000
Shares subscriptions received	–	–	–	145,800	–	145,800
Share-based compensation	–	–	277,457	–	–	277,457
Net loss for the period	–	–	–	–	(1,066,731)	(1,066,731)
As at November 30, 2018	48,162,044	19,522,016	2,717,087	40,000	(21,700,842)	578,261
Balance previously reported, May 31, 2019	54,772,124	20,115,171	2,734,356	–	(23,024,585)	(175,058)
IFRS 16 transitional amount (Note 2)	–	–	–	–	36,475	36,475
Balance as adjusted, May 31, 2019	54,772,124	20,115,171	2,734,356	–	(22,988,110)	(138,583)
Units issued for cash	8,300,000	498,000	–	–	–	498,000
Share issuance costs	–	(91)	–	–	–	(91)
Net loss for the period	–	–	–	–	(731,290)	(731,290)
As at November 30, 2019	63,072,124	20,613,080	2,734,356	–	(23,719,400)	(371,964)

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

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

1. CORPORATE INFORMATION, NATURE AND CONTINUANCE OF OPERATIONS

Quizam Media Corporation (the “Company”) was incorporated on September 15, 2000 under the provisions of the Company Act of British Columbia. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “QQ” (moved from the TSX Venture Exchange (“TSX-V”) effective July 12, 2018). The Company’s principal business activities consist of providing computer training and consulting services, marketing of a computer based educational program, film production, consulting services and cannabis retail sales. The Company has commenced operating retail cannabis dispensaries during the current quarter. The address of the Company’s corporate office and its principal place of business is Suite 650 – 609 Granville Street, Vancouver, BC, V7Y 1G6.

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has a history of significant losses, sizeable accumulated deficits and working capital deficits. These factors form a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent on completing equity financings, obtaining support from related parties or generating consistent profitable operations in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance and Basis of Presentation

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

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

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

b) New accounting standards adopted

IFRS 16 Leases

In January 2016, the IASB published a new standard, IFRS 16, *Leases*, replacing IAS 17, *Leases* and related interpretations. The new standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. Effective June 1, 2019, the Company adopted this standard using the modified retrospective approach under which the cumulative effect of initial application was recognized in retained earnings at June 1, 2019. Prior periods have not been restated for the impact of IFRS 16. Comparative information is still reported under IAS 17 and IFRIC 4. The impact of this change in accounting policy is noted below.

QUIZAM MEDIA CORPORATION
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For contracts entered into before June 1, 2019, the Company determined whether the arrangement contained a lease under IAS 17. Prior to the adoption of IFRS 16, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset. The Company leases office space.

On transition, the Company elected to apply the practical expedient to grandfather the determination of which contract is or contains a lease and applied IFRS 16 to those contracts that were previously identified as leases. Upon transition to the new standard, right-of-use assets and lease liabilities were measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at June 1, 2019. The non-cash adjustment has been excluded from the Statement of Cash Flows. The weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 7%.

For contracts entered into subsequent to June 1, 2019 at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets is tested for impairment in accordance with IAS 36, *Impairment of Assets*. This replaced the previous requirement to recognize a provision for onerous lease contacts.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of comprehensive loss.

Adoption of IFRS 16 had the following impact on the financial position as at June 1, 2019:

	(As Previously Reported Under IAS 17)		
	May 31, 2019	IFRS 16 Effects	June 1, 2019
	\$	\$	\$
Assets			
Property and equipment	79,210	1,494,867	1,574,077
Total Assets	424,838	1,494,867	1,919,705

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	(As Previously Reported Under IAS 17) May 31, 2019 \$	IFRS 16 Effects \$	June 1, 2019 \$
Liabilities			
Deferred lease inducement	36,475	(36,475)	–
Lease liabilities	–	1,494,867	1,494,867
Total Liabilities	599,986	1,458,392	2,058,378
Deficit	(23,024,585)	36,475	(22,988,110)

3. PROPERTY AND EQUIPMENT

Cost	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Library	Right-of-use Assets	Total
As at May 31, 2019	\$ 421,661	\$ 101,336	\$ 89,537	\$ 4,755	\$ –	\$ 617,289
IFRS 16 transition	–	–	–	–	1,494,867	1,494,867
Additions	–	8,672	16,146	1,996	–	26,814
Modification adjustment	–	–	–	–	(211,274)	(211,274)
As at November 30, 2019	\$ 421,661	\$ 110,008	\$ 105,683	\$ 6,751	\$ 1,283,593	\$1,927,696

Accumulated Depreciation

As at May 31, 2019	\$ 401,051	\$ 84,777	\$ 47,496	\$ 4,755	\$ –	\$ 538,079
Depreciation	8,167	2,432	6,724	200	165,884	183,407
As at November 30, 2019	\$ 409,218	\$ 87,209	\$ 54,220	\$ 4,955	\$ 165,884	\$ 721,486

Carrying Amounts

Balance, May 31, 2019	\$ 20,610	\$ 16,559	\$ 42,041	\$ –	\$ –	\$ 79,210
Balance, November 30, 2019	\$ 12,443	\$ 22,799	\$ 51,463	\$ 1,796	\$ 1,117,709	\$1,206,210

QUIZAM MEDIA CORPORATION
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4. SHARE CAPITAL

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

Transaction during the six months ended November 30, 2019:

On September 20, 2019, 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 share purchase warrant. Each warrant is exercisable for two years at a price of \$0.15 per share for the first year and \$0.25 per share for the second year.

On October 28, 2019, the Company issued 4,300,000 units at a price of \$0.06 per unit for proceeds of \$258,000. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable for two years at a price of \$0.15 per share for the first year and \$0.25 per share for the second year.

Transaction during the six months ended November 30, 2018:

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

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

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

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

5. 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 price must not be less than the closing price of the common shares of the Company on the TSX-V on the day immediately preceding the date of grant less the applicable discount if any. The number of options that may be issued under the plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Options vest immediately. Vesting restrictions may also be applied to certain other options grants, at the discretion of the directors.

QUIZAM MEDIA CORPORATION
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5. STOCK OPTIONS (continued)

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

	Number of Underlying Shares	Weighted Average Exercise Price
Outstanding, May 31, 2019	3,235,000	\$ 0.24
Granted	–	–
Expired/Cancelled	–	–
Outstanding, November 30, 2019	3,235,000	\$ 0.24

All of the options outstanding at November 30, 2019 were fully vested.

The weighted average remaining contractual life of the stock options outstanding as at November 30, 2019 was 1.22 years (May 31, 2019 – 1.72 years).

6. SHARE PURCHASE WARRANTS

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

	Number of Underlying Shares	Weighted Average Exercise Price
Balance, May 31, 2019	37,535,080	\$ 0.17
Expired	(2,000,000)	\$ 0.50
Issued	8,300,000	\$ 0.15
Balance, November 30, 2019	43,835,080	\$ 0.15

At November 30, 2019, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
3,900,000	\$0.25	February 2, 2021
8,500,000	\$0.08*	May 29, 2021
4,200,000	\$0.10	August 21, 2021
4,375,000	\$0.20	October 22, 2021
4,150,000	\$0.20	November 5, 2021
4,500,000	\$0.18	November 21, 2021
1,000,000	\$0.20	December 06, 2021
4,910,080	\$0.15	February 26, 2022
4,000,000	\$0.15**	September 16, 2021
4,300,000	\$0.15***	October 29, 2021
43,835,080		

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

** Exercise price increases to \$0.25 per share on September 16, 2021

*** Exercise price increases to \$0.25 per share on October 29, 2021

The weighted average remaining contractual life of the warrants outstanding as at November 30, 2019, was 1.78 years (May 31, 2019 – 2.17 years).

QUIZAM MEDIA CORPORATION
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7. SEGMENTED INFORMATION

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

The Company derives 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 six months ended November 30, 2019 and 2018, respectively:

	2019	2018
	\$	\$
Revenue	272,277	245,910
Expenses	(505,758)	(622,081)
Profit (loss)	(233,481)	(376,171)

- (b) Software and Licensing sales and expenses for the years ended November 30, 2019 and 2018, respectively:

	2019	2018
	\$	\$
Revenue	–	199,140
Expenses	(8,924)	(190,136)
Profit (loss)	(8,924)	9,004

- (c) Quantum 1 Cannabis's retail sales and consulting services sales and expenses for the six months ended November 30, 2019 and 2018, respectively:

	2019	2018
	\$	\$
Retail sales	7,709	–
Cost of goods sold	(5,377)	–
Gross profit	2,332	–
Consulting revenue	169,693	–
Other expenses	(356,943)	–
Profit (loss)	(184,918)	–

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 USA as follows:

	2019	2018
	\$	\$
Canada	279,986	245,910
USA	169,693	199,140
	449,679	445,050

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. PRODUCT DEVELOPMENT COSTS

(a) On-Track TV

The costs associated with development of the On-Track TV, which are included in expenses for the six months ended November 30, 2019 and 2018, are as follows:

	2019	2018
	\$	\$
Salary, wages and fees	–	64,941
Production costs	43,225	100,673
	<u>43,225</u>	<u>165,614</u>

(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 six months ended November 30, 2019 and 2018, are as follows:

	2019	2018
	\$	\$
Salary, wages and fees (management, programming and marketing)	12,750	81,550

9. RELATED PARTY TRANSACTIONS

(a) Key management compensation

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

	2019	2018
	\$	\$
Management fees	72,000	72,000

For the six months ended November 30, 2019 and 2018, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

(b) Amounts due to related parties

At November 30, 2019, \$189,486 (May 31, 2019 – \$238,246) 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 six months ended November 30, 2019, an amount of \$351,747 (2018 - \$636,633) 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:

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9. RELATED PARTY TRANSACTIONS (continued)

	2019 \$	2018 \$
Accounting and legal	34,800	72,850
Investor and finance development	14,000	53,044
Management fees	72,000	72,000
Office and miscellaneous	43,907	32,073
On-Track TV development costs	25,525	84,623
Research and development	99,000	185,785
Software development costs	11,500	16,050
Travel and business development	23,250	78,000
Wages and benefits	27,625	42,208
	351,747	636,633

10. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares, options and warrants for a total amount of \$23,347,436 at November 30, 2019 (May 31, 2019 – \$22,849,527). The Company's principal source of capital is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital funding to be able to meet the Company's educational software development, internet training development and film production to ensure the growth of activities.

11. LINE OF CREDIT

As at November 30, 2019, the Company has a line of credit of \$5,000 bearing interest at the bank's prime rate plus five percent. The line of credit is guaranteed by the assets of the Company. There was no outstanding balance as of November 30, 2019 and 2018.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

	November 30, 2019 \$	May 31 2019 \$
FVTPL (i)	973	252,278
Financial assets at amortized cost (ii)	41,095	17,236
Financial liabilities at amortized cost (iii)	(508,601)	(514,161)

- (i) Cash and cash equivalents
- (ii) Accounts receivable
- (iii) Accounts payable and amounts due to related parties

QUIZAM MEDIA CORPORATION
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FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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	November 30, 2019 \$	May 31, 2019 \$
Cash and cash equivalents	1	973	252,278

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

Credit Risk

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

The following table provides information regarding the aging of financial assets that are past due but which are not impaired as at November 30, 2019:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable	\$ 41,095	-	-	-	41,095

Liquidity Risk

The Company manages its ability to meet its short-term obligations through the capital management described in Note 10. The Company has a working capital deficit and requires additional financing to fund operations.

QUIZAM MEDIA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign Exchange Risk

As the Company generates a portion of its revenues in the U.S., the Company's foreign exchange risk arises with respect to the U.S. dollar. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 38% of the Company's revenues are denominated in U.S. dollars (2018 – 45%) while a significant amount of the Company's expenses are denominated in Canadian dollars. Fluctuation of foreign exchange rate between U.S. dollar and Canadian dollar is not considered to have a material impact on the Company's financial statements.

Interest Rate Risk

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

13. 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 June 1, 2019	\$ 1,494,867
Additions	–
Interest expense	47,728
Modification adjustments	(211,274)
Lease payments	(187,740)
<hr/>	
Balance at November 30, 2019	\$ 1,143,581
Less: current portion	(259,709)
<hr/>	
	\$ 883,872

The following is a schedule of minimum lease payments as of November 30, 2019:

Fiscal year ended May 31, 2020	\$ 165,251
Fiscal year ended May 31, 2021	334,599
Fiscal year ended May 31, 2022	344,716
Fiscal year ended May 31, 2023	261,019
Fiscal year ended May 31, 2024	185,145
Fiscal year ended May 31, 2025	26,881
<hr/>	
Net minimum lease payments	\$ 1,317,611
Less amount representing interest payments	(174,030)
<hr/>	
Present value of net minimum lease payments	\$ 1,143,581
Less: current portion	(259,709)
<hr/>	
Long-term portion	\$ 883,872

Form 51-102F2

Management's Discussion & Analysis (MD & A)

Forward-Looking Information

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

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

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

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

All of the above forward looking statements are subject to significant risks and uncertainties. Certain material risk factors, that could cause actual results to differ materially from the forward-looking information contained in this MD&A include, but is not limited to, changes in the actions of competitors; fluctuations of exchange rates; the trading level of the company's stock; the continued availability of financing on appropriate terms for future projects; the continued increase of commercial run rates; a decline in market liquidity, and the volatility of global markets. Events and circumstances that occurred during the period ended November 30, 2019, which are reasonably likely to cause actual results to differ materially are the volatility of the global economy and increased competition which could prevent the company from improving its cash position, improving profitability, increasing Country Licenses or completing necessary financings; decreased usage of the internet, cell phones, and PDA's which could decrease demand for Academic Quizzing software and Quizam's products; the inability to hire appropriate staff and the results of product development activities could prevent further revisions to the software and the development of new products. Changes in the Entertainment industry could also affect results. Currently the movie business is going through major changes as the Internet and On-Demand usage increases. Changing in legislation, customer preferences and behaviors, competitors' actions and economic factors could affect the results from company predictions.

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

1.1 Date of Information

January 29, 2020

1.2 Overall Performance

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

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

companies continue to release new versions we continue to develop On-Track TV content for these new versions.

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

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

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

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

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

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

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

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

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

We are also adding administrative components to On-TrackTV which will broaden our corporate appeal. We are looking at broadening On-TrackTV to include other broadcasts such as CEO messages, compliance issues, and other customized corporate communication

requirements for clients. We plan to increase our On-TrackTV corporate sales team and to sell the product to Fortune 500 companies.

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

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

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

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

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

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

The Company, through its subsidiary, Quantum 1 Cannabis Corp., has leased several storefront premises in British Columbia, including North Vancouver and Grand Forks, and has submitted comprehensive applications for provincial licenses to operate. To date Quantum has received Provincial Licenses for Grand Forks, Keremeos, Vernon, Creston and Terrace. In addition Quantum 1 has an application in for North Vancouver. The North Vancouver City Council is scheduled to vote on approving Quantum's application late February 2020. Currently Grand Forks and Keremeos are up and running since December 2020. Quantum is scheduled to open Vernon in February 2020 then Creston and Terrace in the following month.

In June 2019, the Company continues working on the new and supercharged on-line learning platform for OnTrackTV. This new site has a slick interface that is easy to use on all devices, including desktops, tablets and mobile phones. The Company is also excited to

be soon releasing new Microsoft and Adobe courses as well an entire channel devoted to cannabis education.

In July 2019, the Creston, B.C. site rezoning was approved: The Company has since received it Provincial Licence and City Council approval.

The Company commenced initial sale of cannabis products during the fiscal quarter ended November 30, 2019. The Company recognized initial revenue of \$7,709, and cost of goods sold of \$5,377, resulting in net profit of \$2,332 during the three months and six months ended November 30, 2019.

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

- a) Strict focus on increasing gross sales in each month compared to the same month in previous year;
- b) Increase of pricing in all areas;
- c) Huge expansion of course offerings beyond IT and computer training. Some of the new course offerings include customer service, conflict resolution, minute note-taking, and project management, cannabis education, cannabis safety; and medical applications of cannabis
- d) Special marketing team devoted to gaining Fortune 500 companies as clients for On-Track TV;
- e) Continue to develop On-Track TV markets in the UK, North America, and Southeast Asia and sell more regional On-Track TV licenses.
- f) Continue to develop components to On-Track TV where users are quizzed after viewing content;
- g) Offering web development services under the name On-Track Web Development. This enables us to leverage our in house team and increase revenue;
- h) Continue to enhance the LMS (learning management system) of the On-Track TV website;
- i) Update and modernize all of our websites starting with On-Track.com and ontracktv.com.
- j) Full scale animation and film productions in the areas of non-fiction and education;
- k) Produce a full feature film in the coming 12 months.;
- l) Develop and offer courses in common accounting software such as Simply Accounting, QuickBooks and Caseware. This would be for both Face to Face and On-Track TV.
- m) Expand on our Cannabis Strategy into retail sales in Key cities throughout British Columbia. We would like to have 8 Cannabis Retail Platforms up and running within the next 18 months.

1.3 Discussion of Operations

Revenue for the six months ended November 30, 2019, increased to \$449,679 compared to \$445,050 during the six months ended November 30, 2018. Operating expenses decreased from \$1,512,051 during the six months ended November 30, 2018, to \$1,292,786 during the six months ended November 30, 2019. The decrease of \$219,265 was mainly as a result of a decrease in share-based compensation, development costs, and travel and business development expenses. Net loss decreased to \$731,290 (2018 - \$1,066,731) during the six months ended November 30, 2019. Net loss decreased by \$335,441 as a result of the decrease in operating expenses and a gain on settlement of debt of \$111,817.

The significant changes were as follows:

- Depreciation increased to \$183,407 for the six months ended November 30, 2019 (2018 – \$15,899). The increase is a result of the adoption of IFRS 16, *Leases*, effective June 1, 2019. Under IFRS 16, the Company recorded an additional \$165,884 of depreciation during the six months ended November 30, 2019 from the recognition of right-of-use assets.
- On-Track TV development costs decreased to \$31,900 for the six months ended November 30, 2019 (2018 - \$166,614). The decrease was a result of the decrease in the development of On-Track TV online learning content and website in order to sell licenses.
- Share-based compensation costs decreased to \$nil for the six months ended November 30, 2019 (2018 - \$277,457). The decrease was a result of not granting any stock options during the current period as compared to the granting of 1,930,000 stock options during the prior period.
- Subcontractors costs increased to \$258,557 for the six months ended November 30, 2019 (2018 - \$79,192). The increase of \$179,365 is a result of increased costs incurred for the start-up and development of the Cannabis business.
- Travel and business development costs decreased to \$102,404 for the six months ended November 30, 2019 (2018 - \$220,813). The decrease is related to the reduced travel and business development related to the On-Track TV license sales in the US.
- Our training division continues to improve its performance and management feels we are gaining more market share every quarter. We are blending out On-TrackTV with our face to face offerings to attract more large clients.

1.4 Summary of Quarterly Results

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

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

Description	November 30, 2019	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018	August 31, 2018	May 31, 2018	February 28, 2018
Total Revenue	\$137,736	\$311,943	\$330,005	\$115,029	\$161,003	\$284,047	\$188,445	\$125,427
Income or (loss) before other items	\$(409,534)	\$(433,573)	\$(608,507)	\$(715,417)	\$(889,959)	\$(177,043)	\$(241,625)	\$(418,490)
Net Income or (loss) for the period	\$(297,717)	\$(433,573)	\$(608,507)	\$(715,237)	\$(889,779)	\$(176,952)	\$(240,662)	\$(418,488)
Net income (Loss) before other items per share basic and diluted	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)
Income (Loss) per share basic and diluted	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)

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

Revenue increased during the three months ended August 31, 2018 as a result of new licensing fee revenue generated in the amount of \$199,140 (US\$150,000). Net loss decreased during the first quarter ended August 31, 2018, as a result of an increase in revenue, and a decrease in office and miscellaneous.

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

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

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

Revenue decreased during the three months ended August 31, 2019 as a result of a decrease in training services of \$79,545 offset by an increase in consulting fee revenue of \$61,483. Net loss decreased during the first quarter ended August 31, 2019, as a result of a decrease in rent, research and development costs, and investor and finance development costs.

Revenue decreased during the three months ended November 30, 2019 mainly as a result of a decrease in consulting fee revenue of \$161,984. Net loss for the period decreased during the second quarter ended November 30, 2019, as a result of a gain on settlement of debt of \$111,817.

1.6 Liquidity

The Company's liquidity is as follows:

	November 30, 2019	May 31, 2019
Cash and cash equivalents	\$973	\$252,278
Accounts receivable	\$41,095	\$17,236
Accounts payable and accrued liabilities	\$319,115	\$275,915
Due to related parties	\$189,486	\$238,246
Lease liabilities – current portion	\$259,709	\$ -
Working capital (deficiency)	\$(694,302)	\$(244,749)

As at November 30, 2019, the Company had cash and cash equivalents of \$973 and working capital deficiency of \$694,302 compared to cash and cash equivalents of \$252,278 and a working capital deficiency of \$244,749 as at May 31, 2019. The Company's increase in working capital deficiency is attributable to the decrease in cash and cash equivalents offset by increase in accounts payable and accrued liabilities and the initial recognition of lease liabilities upon the adoption of IFRS 16, *Leases*.

During the six months ended November 30, 2019, the Company used \$681,051 of cash for operating activities compared to \$1,065,426 in the comparative period. The Company incurred \$26,814 (2018 - \$5,685) in acquisition of equipment during the period ended November 30, 2019. The Company has financed its operations for the last two years mainly through the issuance of share capital. The Company has raised \$497,909 (2018 - \$1,529,800) through subscription of share capital during the six months ended November 30, 2019. 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. It will continue to improve its cash positions by focusing on increasing sales, improving profitability and equity financings.

1.7 Capital Resources

The Company's capital currently consists of common shares, options and warrants. The Company's principal source of funds is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to meet the Company's educational software development, internet training development and film production to ensure the growth of activities.

During the year ended May 31, 2017, the Company signed a rental agreement effective until August 31, 2022 for the lease of its head office in Vancouver. During the year ended May 31, 2019, the Company signed seven rental agreements effective December 1, 2018 onwards. The Company has committed to pay rent, taxes and operating costs. Minimum remaining lease payments are as follows:

Fiscal Year	\$
2020	165,251
2021	334,599
2022	344,716
2023	261,019
2024 and onwards	212,026
Total	1,317,611

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:

	November 30, 2019	November 30, 2018
<u>Management fees</u>	<u>\$ 72,000</u>	<u>\$ 72,000</u>

For the six months ended November 30, 2019 and 2018, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

At November 30, 2019, \$189,486 (May 31, 2019 – \$238,246) 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 six months ended November 30, 2019, \$351,747 (2018 - \$636,633) of these expenses were included in expenses to companies owned by a significant shareholder, who is also a director and officer, and immediate family of the significant shareholder.

1.10 Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Significant areas requiring the use of management estimates relate to estimation of an allowance for doubtful accounts, the measurement of share-based compensation, 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.

1.11 Changes in Accounting Policies including Initial Adoption

Adoption of New Accounting Changes:

IFRS 16, Leases ("IFRS 16")

The Company has adopted new accounting standard IFRS 16, *Leases*, effective for annual periods beginning on or after January 1, 2019. IFRS 16 was issued by the IASB in January 2016 and has replaced IAS 17, *Leases*. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant.

Effective June 1, 2019, the Company adopted this standard using the modified retrospective approach under which the cumulative effect of initial application was recognized in retained earnings at June 1, 2019. Prior periods have not been restated for the impact of IFRS 16.

For contracts entered into before June 1, 2019, the Company determined whether the arrangement contained a lease under IAS 17. Prior to the adoption of IFRS 16, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset. The Company leases office space.

On transition, the Company elected to apply the practical expedient to grandfather the determination of which contract is or contains a lease and applied IFRS 16 to those contracts that were previously identified as leases. Upon transition to the new standard, right-of-use assets and lease liabilities were measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at June 1, 2019. The non-cash adjustment has been excluded from the Statement of Cash Flows. The weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 7%.

For contracts entered into subsequent to June 1, 2019 at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets is tested for impairment in accordance with IAS 36, Impairment of Assets. This replaced the previous requirement to recognize a provision for onerous lease contracts.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of comprehensive loss.

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, 2020, 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.

1.12 Financial Instruments and Other Instruments

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every reporting date. All financial instruments are recognized when the Company becomes a party to contractual provisions of these instruments. Financial instruments initially recorded at fair value. Financial assets 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:

	November 30, 2019	May 31, 2019
	\$	\$
FVTPL (i)	973	252,278
Financial assets at amortized cost (ii)	41,095	17,236
Financial liabilities at amortized cost (iii)	(508,601)	(514,161)

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

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

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

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

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

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

	Level	November 30, 2019	May 31, 2019
		\$	\$
Cash and cash equivalents	1	973	252,278

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

Credit Risk

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

The following table provides information regarding the aging of financial assets that are past due but which are not impaired as at November 30, 2019:

	Neither past due nor impaired	31-60 days	61-90 days	91 days and over	Carrying value
Trade accounts receivable	\$ 41,095	–	–	–	41,095

Liquidity Risk

The Company manages its ability to meet its short-term obligations through the capital management described in Note 10 to the consolidated financial statements. The Company has a working capital deficit and requires additional financing to fund operations.

Foreign Exchange Risk

As the Company generates a portion of its revenues in the U.S., the Company's foreign exchange risk arises with respect to the U.S. dollar. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 38% of the Company's revenues are denominated in U.S. dollars (2018 – 45%) while a significant amount of the Company's expenses are denominated in Canadian dollars. Fluctuation of foreign exchange rate between U.S. dollar and Canadian dollar is not considered to have a material impact on the Company's financial statements.

Interest Rate Risk

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

1.13 Additional Information

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

Outstanding Share Data

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

	Number of shares issued or issuable as at November 30, 2019	Number of shares issued or issuable as at January 29, 2020
Common shares	63,072,124	63,072,124
Stock options	3,235,000	3,235,000
Warrants	43,835,080	43,835,080