

QYOU Media Inc. [Formerly Galleria Opportunities Ltd.]
CONSOLIDATED FINANCIAL STATEMENTS
[expressed in Canadian dollars]

June 30, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
QYOU Media Inc.

We have audited the accompanying consolidated financial statements of QYOU Media Inc., which comprise the consolidated statements of financial position as at June 30, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of QYOU Media Inc. as at June 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements, which indicates that QYOU Media Inc. has yet to achieve profitable operations and that QYOU Media Inc. will need to raise additional capital in future periods to fund its operations. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about QYOU Media Inc.'s ability to continue as a going concern.

Toronto, Ontario
October 29, 2018


Chartered Professional Accountants
Licensed Public Accountants

QYOU Media, Inc. [Formerly Galleria Opportunities Ltd.]

Consolidated statements of financial position

[expressed in Canadian dollars]

[see going concern uncertainty - note 2]

As at June 30,	2018	2017
	\$	\$
Assets		
Current assets		
Cash	1,069,248	2,582,966
Trade receivables [note 13]	1,373,543	985,245
Other receivables	241,228	494,139
Prepaid expenses	18,288	11,357
	2,702,307	4,073,707
Property and equipment, net [note 5]	324,502	46,422
Capitalized programming asset, net [note 6]	1,092,502	-
Application development costs [note 7]	997,542	657,797
Security deposit	93,476	7,702
Intangible assets, net [note 7]	90,799	87,835
	5,301,128	4,873,463
Liabilities		
Current liabilities		
Trade and other payables	2,007,265	1,190,206
Deferred revenue	262,649	-
	2,269,914	1,190,206
Shareholders' equity		
Share capital [note 8]	18,326,516	13,689,547
Warrants [note 8]	1,544,395	3,710,968
Contributed surplus	4,916,841	981,714
Foreign exchange translation reserve	47,183	(108,425)
Deficit	(21,803,721)	(14,590,547)
	3,031,214	3,683,257
	5,301,128	4,873,463

Commitments and contingencies [note 12]

Subsequent events [note 16]

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

"Signed"
Director - Scott Paterson

"Signed"
Director - Curt Marvis

QYOU Media, Inc. [Formerly Galleria Opportunities Ltd.]

Consolidated statements of loss and comprehensive loss

[expressed in Canadian dollars]

For the years ended June 30,

	2018	2017
	\$	\$
REVENUE	5,565,348	4,185,067
OPERATING EXPENSES		
Content and productions costs	3,354,452	2,981,205
Sales and marketing	2,463,915	1,646,544
Salaries and benefits	1,882,374	1,530,587
Legal and consulting	2,033,764	1,601,023
General and administrative	1,620,943	752,744
Bad debts written off	—	75,510
Foreign exchange loss (gain)	6,012	(31,600)
Interest and other expenses (income)	11,514	(25,370)
Depreciation [note 5]	78,410	15,427
Stock-based compensation [note 9]	1,187,848	785,858
Total operating expenses	12,639,232	9,331,928
Loss before listing expense	(7,073,884)	(5,146,861)
Listing expense [note 4]	—	1,621,456
Income tax expense [note 11]	139,290	—
NET LOSS	(7,213,174)	(6,768,317)
Other comprehensive income (loss)		
Item that may be reclassified subsequently to income:		
Exchange gain on translation of foreign operations	155,608	58,959
Total other comprehensive income	155,608	58,959
COMPREHENSIVE LOSS	(7,057,566)	(6,709,358)
Net loss per share - basic and diluted	(0.09)	(0.13)
Weighted average number of shares outstanding - basic and diluted	76,270,108	53,511,580

The accompanying notes are an integral part of these consolidated financial statements.

QYOU Media, Inc. [Formerly Galleria Opportunities Ltd.]

Consolidated statements of changes in shareholders' equity

[expressed in Canadian dollars]

For the years ended June 30, 2018 and 2017

	Common shares #	Share capital \$	Warrants \$	Contributed surplus \$	Foreign exchange transaction reserve \$	Deficit \$	Total \$
Balance, June 30, 2016	48,219,809	6,943,720	2,850,319	23,957	(167,384)	(7,822,230)	1,828,382
Issued - Private placement - March 2017 [note 8]	14,631,000	7,315,500	-	-	-	-	7,315,500
Share issuance - value of Galleria shares [note 8]	3,089,150	1,390,147	-	-	-	-	1,390,147
Cost of issuance of private placement [note 8]	-	(479,663)	-	-	-	-	(479,663)
Legal financing [note 8]	-	(447,609)	-	-	-	-	(447,609)
Broker warrants issued [note 8]	-	(171,899)	-	171,899	-	-	-
Allocated to warrants [note 8]	-	(860,649)	860,649	-	-	-	-
Share-based compensation [note 9]	-	-	-	785,858	-	-	785,858
Exchange difference on translating foreign operations	-	-	-	-	58,959	-	58,959
Net loss	-	-	-	-	-	(6,768,317)	(6,768,317)
Balance, June 30, 2017	65,939,959	13,689,547	3,710,968	981,714	(108,425)	(14,590,547)	3,683,257
Broker compensation option exercised [note 8]	1,002,750	763,421	-	(262,046)	-	-	501,375
Allocated to warrants [note 8]	-	(61,580)	61,580	-	-	-	-
Broker compensation options expired	-	-	-	(46,893)	-	-	(46,893)
Issued - Private placement - November 2017 [note 8]	15,541,100	5,750,207	-	-	-	-	5,750,207
Finance cost [note 8]	-	(987,014)	-	-	-	-	(987,014)
Broker options issued [note 8]	-	(144,319)	-	144,319	-	-	-
Allocated to warrants [note 8]	-	(683,746)	683,746	-	-	-	-
Warrants expired [note 8]	-	-	(2,911,899)	2,911,899	-	-	-
Share-based compensation [note 9]	-	-	-	1,187,848	-	-	1,187,848
Exchange difference on translating foreign operations	-	-	-	-	155,608	-	155,608
Net loss	-	-	-	-	-	(7,213,174)	(7,213,174)
Balance, June 30, 2018	82,483,809	18,326,516	1,544,395	4,916,841	47,183	(21,803,721)	3,031,214

The accompanying notes are an integral part of these consolidated financial statements.

QYOU Media, Inc. [Formerly Galleria Opportunities Ltd.]

Consolidated statements of cash flows

[expressed in Canadian dollars]

For the years ended June 30,

	2018	2017
	\$	\$
Cash flows from operating activities		
Net loss	(7,213,174)	(6,768,317)
Adjustments to reconcile net loss to net cash used in operating activities		
Unrealized foreign exchange loss (gain)	125,226	(31,600)
Reverse take over costs	-	1,065,809
Depreciation	78,410	15,427
Amortization	258,402	-
Compensation shares	-	365,000
Employee loan	-	162,791
Share-based compensation	1,187,848	785,858
	(5,563,288)	(4,405,032)
Changes in non-cash working capital items		
Trade receivables	(388,298)	(700,327)
Other receivables	252,911	(334,367)
Prepaid expenses	(6,931)	(9,357)
Security deposit	(85,774)	-
Trade and other payables	817,059	188,017
Deferred revenue	262,649	-
Cash used in operating activities	(4,711,672)	(5,261,066)
Cash flows from investing activities		
Purchase of property and equipment	(352,717)	(23,199)
Cash acquired on acquisition of Galleria Opportunities Limited	-	233,206
Content and production costs	(1,350,904)	-
Application development costs	(313,397)	(200,112)
Cash from (used in) investing activities	(2,017,018)	9,895
Cash flows from financing activities		
Share issuance, net of costs	5,264,568	6,216,329
Employee loan	-	(162,791)
Cash from financing activities	5,264,568	6,053,538
Net (decrease) increase in cash during the year	(1,464,122)	802,367
Effect of foreign exchange on cash	(49,596)	(22,095)
Cash, beginning of year	2,582,966	1,802,694
Cash, end of year	1,069,248	2,582,966

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[expressed in Canadian dollars, unless otherwise noted]

June 30, 2018 and 2017

1. BUSINESS AND ORGANIZATION

QYOU Media Inc. (“QYOU” or the “Company”) was incorporated pursuant to the *Business Corporations Act* (Alberta) on July 30, 1993 under the name “575161 Alberta Inc.”. The registered and head office of the Company is 441 King Street West, Suite 200, Toronto, Ontario M5V 1K4. The Company focuses on the curation and programming of short form video content from the Video-Everywhere age. The Company finds and licenses videos from around the world in categories ranging from factual to viral and everything in between; packaging them for linear and on-demand TV and video channels, playlist-driven mobile apps, custom shows and influencer marketing campaigns. Using sub-contracted production staff, production facilities and third-party contractors, the Company identifies sources for content material, records original video programming, edits content and prepares final video product for distribution.

2. BASIS OF PRESENTATION

[a] Statement of compliance

These consolidated financial statements (“financial statements”) have been prepared by management in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the *CPA Canada Handbook – Accounting*, which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The policies set out below have been consistently applied to all periods presented, unless otherwise noted.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on October 29, 2018.

[b] Basis of measurement

These financial statements have been prepared on a historical cost basis, except for convertible notes, which are measured at fair value. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment* (“IFRS 2”) and measurements that have some similarities to fair value, but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

[c] Basis of presentation

The accompanying financial statements include the accounts of QYOU and its wholly-owned subsidiaries as at June 30, 2018, QYOU Media Holdings Inc., QYOU Productions Inc., QYOU Limited, QYOUTV International Limited, and QYOU USA Inc. The financial statements incorporate the assets and liabilities of the Company and its wholly-owned subsidiaries as at June 30, 2018 and 2017 and the results of these subsidiaries for the years then ended.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. All intra-entity assets and liabilities, revenue, expenses and cash flows relating to transactions between subsidiaries of the Company are eliminated in full on consolidation.

[d] Functional currency and presentation currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
[expressed in Canadian dollars, unless otherwise noted]

June 30, 2018 and 2017

[e] Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

[i] Going concern uncertainty

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at June 30, 2018, the Company has not yet achieved profitable operations, and has an accumulated deficit of \$21.3 million. Whether, and when, the Company can attain profitability and positive cash flows from operations has material uncertainty, which may cast significant doubt upon the Company's ability to continue as a going concern. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so. While the Company has been successful in obtaining financing to date, there can be no assurance that it will be able to do so in the future, on terms favourable to the Company or at all. The Company will need to raise capital in order to fund its operations. This need may be adversely impacted by factors such as uncertain market conditions and adverse results from operations. The Company believes it will be able to acquire sufficient funds to cover planned operations through the next 12-month period from anticipated revenue growth during fiscal 2019 and by securing additional financing through additional credit access from its commercial bank, plus other financing alternatives and strategic options currently being explored. The outcome of these matters cannot be predicted at this time.

[ii] Estimated useful lives, residual values and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives and residual values, which are determined through the exercise of judgment. The assessment of any impairment of these assets' is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

[iii] Estimated useful life and amortization of intangible assets

The Company employs significant estimates to determine the estimated useful lives of intangible assets, considering industry trends, contractual rights, past experience, expected use and review of asset useful lives. The Company reviews amortization methods and useful lives annually or when circumstances change and adjusts its amortization methods and assumptions prospectively.

[iv] Valuation of share-based payments and warrants

Management measures the costs for share-based payments and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate and the rate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[expressed in Canadian dollars, unless otherwise noted]

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of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

[v] Revenue recognition

Multi-element or bundled contracts require an estimate of the relative fair value of separate elements. The Company has a limited number of these arrangements, and assesses the criteria for the recognition of revenue related to arrangements that have multiple components. These assessments require judgment by management to determine if there are separately identifiable components as well as how to allocate the total price among the components. Deliverables are accounted for as separately identifiable components if they can be understood without reference to the series of transactions as a whole. In concluding whether components are separately identifiable, management considers the transaction from the customer's perspective. Among other factors, management assesses whether the service or product is sold separately by the Company in the normal course of business or whether the customer could purchase the service or product separately.

[vi] Income taxes

The Company computes an income tax provision in each of the tax jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent that estimates of future taxable income differ from the tax return, income would be affected in a subsequent period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[a] Cash

Cash consists of cash, cash held in trust accounts and short-term deposits with original maturities of three months or less that are readily convertible into cash and are not subject to significant risk from fluctuations of interest rates. As a result, the carrying amount of cash approximates fair value.

[b] Trade receivables

The Company extends credit to its customers. These customers have specific contracts that detail the payments expected under their contract terms. Trade receivables are customer obligations due under these contract terms. Management reviews trade receivables on a regular basis, based on contracted terms and how recently payments have been received, to determine if any such amounts will potentially be uncollected.

[c] Property and equipment

Property and equipment are stated at historical cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The costs of normal maintenance and repairs are charged to expense when incurred.

The estimated useful lives of the assets are as follows:

Computer hardware and equipment	3 years
Furniture and fixtures	3 years
Leasehold improvements	Shorter of the estimated life of the asset or the lease term

An item of property and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of loss and comprehensive loss when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation and the depreciation charge are adjusted prospectively, if appropriate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[expressed in Canadian dollars, unless otherwise noted]

June 30, 2018 and 2017

[d] Intangible assets

In accordance with IAS 38, *Intangible Assets*, expenditures on research activities are recognized as an expense in the period in which it is incurred. Externally- and internally-generated intangibles are recognized only if they meet strict criteria, relating on particular to technical feasibility, probability that a future economic benefit associated with the asset will flow to the entity and whether the cost of the asset can be measured reliably.

Intangible assets with finite useful lives are stated at cost and are amortized over their useful economic lives when the asset is ready for its intended use. Upon the commencement of amortization, the asset is carried at cost less accumulated amortization and impairment losses. Intangible assets are tested for impairment as required (see Impairment, below).

Intangible assets acquired are measured on initial recognition at cost. Intangible assets acquired consist mainly of brand name with an indefinite useful life that is not amortized, but subject to an annual impairment test.

Indefinite useful lives – The Company does not amortize intangible assets with indefinite useful lives because there is no foreseeable limit to the period that these assets are expected to generate net cash inflows for the Company. The Company uses judgement to determine the indefinite useful lives of these assets, analyzing all relevant factors, including the expected usage of the asset, the typical life cycle of the asset and anticipated changes in the market demand for the products and services that the asset helps generate.

Finite useful lives – The Company amortizes intangible assets with finite useful lives into depreciation and amortization in the consolidated statements of loss and comprehensive loss on a straight-line basis over their estimated useful lives. The Company reviews their useful lives, residual values and the amortization methods at least once a year.

An intangible asset that was initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of loss and comprehensive loss when the asset is derecognized. The assets' residual values, useful lives, methods of amortization and the amortization charge is adjusted prospectively, if appropriate.

[e] Foreign currency translation

The Company's financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each subsidiary entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries as at June 30, 2018, as set out below:

Name of subsidiary	Jurisdiction of incorporation	Functional currency
QYOU Media Holdings Inc.	Canada	Canadian dollar
QYOU Productions Inc.	Canada	Canadian dollar
QYOU Limited	Ireland	Euro
QYOUTV International Limited	Ireland	Euro
QYOU USA Inc.	USA	US dollar

The financial statements of entities that have a functional currency different from that of QYOU (foreign operations) are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the dates of the consolidated statements of financial position; income and expenses – at the average rate of the period (as this is considered a reasonable approximation of actual rates). All resulting changes are recognized in other comprehensive income loss as currency translation adjustments.

Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets

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and liabilities denominated in currencies other than an operation's functional currency are recognized as other income in the consolidated statements of loss and comprehensive loss.

[f] Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Company classifies its financial assets and liabilities as outlined below:

Assets / liabilities	Category	Classification
Cash	FVTPL	Loans and receivables
Trade receivables	Loans and receivables	Loans and receivables
Other receivables	Loans and receivables	Loans and receivables
Trade and other payables	Other financial liabilities	Other liabilities

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments ("HTM"), or available-for-sale financial assets ("AFS"), as appropriate at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification depends on the nature and purpose of the financial asset. A financial asset is derecognized when its contractual rights to the asset's cash flows expire or if substantially all the risks and rewards of the asset are transferred.

The Company's non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market are classified as loans and receivables. Such assets are recognized initially at fair value and are subsequently re-measured at amortized cost using the effective interest method, less any impairment losses.

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets

Financial assets, other than those carried at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been adversely impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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Fair value hierarchy

Financial instruments carried at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted market price at the reporting date. Active markets are those in which transactions occur in significant frequency and volume to provide pricing information on an ongoing basis.

Level 2 – If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data where possible, including recent arm's length market transactions, and comparisons to the current fair value of similar instruments; but where this is not feasible, inputs such as liquidity risk, credit risk and volatility are used.

Level 3 – Valuations in this level are made with inputs other than observable market data.

[g] Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that assets may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. If it is not possible to estimate the recoverable amount of the individual asset, assets are grouped at the cash-generating unit ("CGU") level for the purpose of assessing the recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually as at June 30, or earlier and when circumstances indicate that the carrying value may be impaired.

Intangible assets not yet available for use are tested for impairment annually. Other intangible assets and property and equipment are assessed for any indications of impairment annually. If any indication of impairment is identified, an impairment test is performed to estimate the recoverable amount.

An impairment loss is recognized in the consolidated statements of loss and comprehensive loss whenever the carrying amount of the individual asset or the CGU exceeds its recoverable amount.

An impairment loss for an individual asset or CGU shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognized and is only reversed 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.

[h] Revenue recognition

Licensing revenue

Subscriber revenue from pay television distributors is recognized as revenue when an agreement is executed, programming is provided, the price is fixed and determinable, and collectability is reasonably assured.

Content and program revenue

Content and program revenue from customers is recognized when the program has been developed and delivered to the customer.

Influencer marketing revenue

Influencer marketing revenue from customers is recognized when the program has been developed and delivered to the customer.

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[expressed in Canadian dollars, unless otherwise noted]

June 30, 2018 and 2017

[i] Income taxes

Income tax expense includes both current and deferred taxes. The Company uses judgement to interpret tax rules and regulations to calculate the expense recorded in each period. The Company recognizes income tax expense in net income unless it relates to an item recognized directly in equity or other comprehensive income (loss).

Current tax expense is tax the Company expects to pay or receive based on its taxable income or loss during the year. The Company calculates the current tax expense using tax rates enacted or substantively enacted as at the reporting date, and including any adjustment to income taxes payable or recoverable related to previous years.

Deferred tax assets and liabilities arise from temporary differences between the carrying amounts of the assets and liabilities and are recorded in the consolidated statements of financial position. The Company calculates deferred tax assets and liabilities using enacted or substantively enacted tax rates that will apply in the years the temporary differences are expected to reverse.

The Company recognizes a deferred tax asset for unused losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available to use the asset. The Company uses judgement to evaluate whether the Company can recover a deferred tax asset based on its assessment of existing tax laws, estimates of future profitability and tax planning strategies.

The Company relies on estimates and assumptions when determining the amount of current and deferred taxes, and take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. If new information becomes available and changes the Company's judgement on the adequacy of existing tax liabilities, these changes would affect the income tax expense in the period that the Company makes this determination.

[j] Stock-based compensation

Stock options, restricted share units ("RSUs"), and warrants awarded to non-employees are accounted for using the fair value of the instrument awarded or service provided, whichever is considered more reliable. Stock options, RSUs and warrants awarded to employees are accounted for using the fair value method. The fair value of such stock options, RSUs and warrants granted is recognized as an expense on a proportionate basis consistent with the vesting features of each tranche of the grant. The fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant.

[k] Net loss per share

Net loss per share is calculated based on the profit for the financial year and the weighted average number of common shares in the capital of the Company ("Common Shares") outstanding during the year. Diluted net loss per share is calculated using the profit for the financial year adjusted for the effect of any dilutive instruments and the weighted average diluted number of shares (ignoring any potential issue of common shares that would be anti-dilutive) during the year.

[l] New standards, interpretations and amendments not yet adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

[i] *IFRS 9, Financial Instruments ("IFRS 9")*

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company's financial statements.

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[ii] IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company is in the process of evaluating the impact of IFRS 15 on the Company's financial statements.

[iii] IFRS 16, Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information, but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

[iv] IFRIC 23, Uncertainty over Income Tax Treatment (“IFRIC 23”)

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's financial statements.

4. QYOU'S REVERSE TAKEOVER (“RTO”)

Effective March 13, 2017, the Company (then called “Galleria Opportunities Ltd.”) completed a reverse takeover transaction (the “Transaction”) pursuant to which QYOU Media Holdings Inc. became a wholly-owned subsidiary of the Company and the security holders of QYOU Media Holdings Inc. became security holders of the Company. QYOU Media Holdings Inc. is the entity resulting from the amalgamation of QYOU Media Inc. (as it was then called) and 2561287 Ontario Ltd. (then a wholly-owned subsidiary of the Company) on March 13, 2017. Following the Transaction, the Company changed its name to “QYOU Media Inc.” and the private company that was previously named “QYOU Media Inc.” amalgamated with 2561287 Ontario Ltd. and was thereafter called “QYOU Media Holdings Inc.”. Used herein, the terms “QYOU” or the “Company” refer to QYOU Media Inc. after the date of the Transaction and Galleria Opportunities Ltd. prior to the date of the Transaction, and “QYOU Holdings” refers to QYOU Media Holdings Inc. after the date of the Transaction and QYOU Media Inc. prior to the date of the Transaction.

On March 10, 2017, in connection with the Transaction, the Company completed a private placement of 3,869,000 units of the Company (the “Galleria Units”) at a price of \$0.50 per Galleria Unit, each Galleria Unit comprised of one Common Share and one-half of one Common Share purchase warrant, each such Common Share purchase warrant exercisable at a price of \$0.75 per Common Share until March 10, 2019, for gross proceeds of \$1,934,500, completed through the use of a Short Form Offering Document under the policies of the TSX Venture Exchange (the “Galleria Offering”). Also in connection with the Transaction, QYOU Holdings completed a brokered private placement of 8,632,000 subscription receipts of QYOU Holdings (the “QYOU Subscription Receipts”) at a price of \$0.50 per QYOU Subscription Receipt (the “QYOU Brokered Offering”) and a non-brokered private placement of 2,130,000 QYOU Subscription Receipts (the “QYOU Non-Brokered Offering”, and together with the QYOU Brokered Offering, the “QYOU Offering”), for aggregate gross proceeds of \$5,381,000. Upon satisfaction of certain escrow release conditions, the

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QYOU Subscription Receipts were automatically exchanged for units of QYOU Holdings (the "QYOU Units"), each QYOU Unit comprised of one Class A common share in the capital of QYOU Holdings (each, a "QYOU Class A Share") and one-half of one QYOU Class A Share purchase warrant.

In connection with the QYOU Offering and the Galleria Offering, the agents involved in such offerings were issued 668,700 compensation options of QYOU Holdings and 290,175 compensation options of the Company. Each compensation option of QYOU Holdings entitled the holder thereof to subscribe for one QYOU Unit at a price of \$0.50, and each compensation option of the Company entitles the holder thereof to subscribe for one unit of the Company at a price of \$0.50 per unit, in each case until March 31, 2019. Each such unit of the Company is comprised of one Common Share and one-half of one Common Share purchase warrant exercisable at a price of \$0.75 per Common Share until March 31, 2019. The fair value estimate for the common share component of the QYOU Units was estimated at \$0.45 per QYOU unit, totalling approximately \$1,800,000.

The estimated fair value of the common share component of the QYOU Units was determined using the residual method. The estimated fair value of the warrants was based on the Black-Scholes option pricing model. The fair value of warrants issued under the QYOU Financing, including warrants issued as a component of the QYOU Holdings compensation options was \$200,000 or \$0.05 per each half warrant using the following assumptions:

Grant date share price	\$0.45
Exercise price	\$0.75
Risk-free interest rate	0.67%
Weighted average expected life of options [years]	2
Expected annualized volatility	100%
Expected dividend yield	nil

As part of the Transaction, the Company issued (i) 10,762,000 Common Shares to holders of QYOU Class A Shares on the basis of one Common Share exchanged for each QYOU Class A Share held; (ii) 48,219,809 Common Shares to the holders of common shares of QYOU Holdings, other than QYOU Class A Shares, on the basis of 0.92 Common Shares exchanged for each common share of QYOU Holdings, other than QYOU Class A Shares, held; (iii) 19,463,294 Common Share purchase warrants to the holders of common share purchase warrants of QYOU Holdings, on the basis of one Common Share purchase warrant exchanged for each common share purchase warrant of QYOU Holdings held, exercisable on equivalent terms; and (iv) 2,141,065 compensation options of the Company to holders of compensation options of QYOU Holdings, on the basis of one compensation option of the Company exchanged for each compensation option of QYOU Holdings held, exercisable into securities of the Company on equivalent terms.

Upon the closing of the Transaction, on March 13, 2017, the former shareholders of QYOU Holdings held 58,981,809 (or 89.4%) of the issued and outstanding Common Shares, while shareholders of the Company who held Common Shares prior to the Transaction held 6,958,153 (or 10.6%) of the issued and outstanding Common Shares. Since the Company did not meet the definition of a business under IFRS 3, *Business Combinations*, the acquisition was accounted for as the purchase of the Company's assets by QYOU Holdings. The consideration paid was determined as equity-settled share-based payment under IFRS 2, at the fair value of the equity of QYOU Holdings retained by the shareholders of the Company based on the fair value of the common shares of QYOU Holdings on the date of closing of the Transaction, which was determined to be \$0.45 as noted above.

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The listing expense that the Company recorded for the year ended June 30, 2017 was \$1,572,916. The details of the preliminary estimate of the listing expense are as follows:

	\$
Fair value of consideration paid:	
6,958,150 common shares of QYOU Holdings at \$0.45 per share	1,390,118
Fair value of net assets of Galleria acquired by QYOU Holdings	324,309
	1,065,809
Other transaction costs	
Professional fees	511,470
Filing and listing fees	44,177
RTO listing expense	1,621,456

5. PROPERTY AND EQUIPMENT

Property and equipment are composed of the following:

	Computer hardware and equipment	Furniture and fixtures	Total
Cost	\$	\$	\$
As at June 30, 2016	44,459	1,024	45,483
Additions	23,199	-	23,199
As at June 30, 2017	67,658	1,024	68,682
Additions	126,267	226,450	352,717
Foreign exchange	6,817	51	6,868
As at June 30, 2018	200,742	227,525	428,267

	Computer hardware and equipment	Furniture and fixtures	Total
Accumulated depreciation	\$	\$	\$
As at June 30, 2016	6,602	231	6,833
Depreciation	15,085	342	15,427
As at June 30, 2017	21,687	573	22,260
Depreciation	40,315	38,095	78,410
Foreign exchange	3,065	30	3,095
As at June 30, 2018	65,067	38,698	103,765

	Computer hardware and equipment	Furniture and fixtures	Total
Net book value	\$	\$	\$
As at June 30, 2017	45,971	451	46,422
As at June 30, 2018	135,675	188,827	324,502

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6. PROGRAMMING ASSET

The Company has segregated its film investments into two categories: (i) current productions; and (ii) library or acquired productions. Current productions are considered library productions immediately subsequent to their initial availability for licensing as they are considered completed.

Current productions are amortized using the declining balance method at rates from 50-70% at the time of the initial episodic delivery and at annual rates of 10-25% thereafter.

	Programming asset
Cost	\$
As at June 30, 2016 and 2017	-
Additions	1,350,904
As at June 30, 2018	1,350,904

	Programming asset
Accumulated amortization	\$
As at June 30, 2016 and 2017	-
Amortization	258,402
As at June 30, 2018	258,402

	Programming asset
Net book value	\$
As at June 30, 2017	-
As at June 30, 2018	1,092,502

7. INTANGIBLE ASSETS

Intangible assets consists of acquired intangible assets and capitalized application development costs.

Intangible asset - Brand

On July 15, 2015, QYOU Holdings acquired certain assets from Black Forest Production Services, USA, ("BFPS") including the rights to the "QYOU" brand and related intellectual property and assumed net liabilities of \$56,454 for a cash payment of \$25,000. Accordingly, a value of \$81,454 (59,114 euros) was allocated to the "QYOU" brand.

QYOU, through its wholly-owned Irish subsidiary QYOUTV International Limited, owns a Broadcast License granted by the Broadcast Authority of Ireland, to broadcast in Ireland and the European Union.

Capitalized application development

Capitalized application development costs are costs incurred for the development of a customized mobile application for the Company's curated videos. The product is currently under development. The total amount capitalized for the

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year ended June 30, 2018 was \$997,542 (2016 – \$657,797). Amortization of the capitalized application development cost will commence upon launch of the mobile application.

A summary of the Company's intangible assets are as follow:

Cost	Brand name	Capitalized development costs	Total
	\$	\$	\$
As at June 30, 2016	84,852	457,685	542,537
Additions	-	200,112	200,112
Foreign exchange	2,983	-	2,983
As at June 30, 2017	87,835	657,797	745,632
Additions	-	313,397	313,397
Foreign exchange	2,964	26,348	29,312
As at June 30, 2018	90,799	997,542	1,088,341

8. SHARE CAPITAL

	Common shares #	Share capital \$	Warrants #	Warrants \$	Compensation options #	Compensation options amount within contributed surplus \$
Balance, June 30, 2016	48,219,809	6,943,720	14,082,294	2,850,319	1,182,190	308,940
Issued - Private placement - March 2017 [a]	14,631,000	7,315,500	-	-	-	-
Share issuance - value of Galleria shares [b]	3,089,150	1,390,147	-	-	-	-
Cost of issuance of private placement [a]	-	(479,663)	-	-	-	-
Legal financing	-	(447,609)	-	-	-	-
Broker warrants issued	-	(171,899)	-	-	958,875	171,899
Allocated to warrants	-	(860,649)	7,315,500	860,649	-	-
Balance, June 30, 2017	65,939,959	13,689,547	21,397,794	3,710,968	2,141,065	480,839
Broker compensation options exercised [c]	1,002,750	763,421	-	-	(1,002,750)	(262,046)
Allocated to warrants [c]	-	(61,580)	501,375	61,580	-	-
Broker compensation options expired	-	-	-	-	(179,440)	(46,893)
Issued - Private placement - November 2017 [d]	15,541,100	5,750,207	-	-	-	-
Finance cost [d]	-	(987,014)	-	-	-	-
Broker options issued [d]	-	(144,319)	-	-	1,087,877	144,319
Allocated to warrants [d]	-	(683,746)	7,770,550	683,746	-	-
Warrants expired [e]	-	-	(14,583,668)	(2,911,899)	-	-
Balance, June 30, 2018	82,483,809	18,326,516	15,086,051	1,544,395	2,046,752	316,219

[a] In connection with the Transaction, on March 10, 2017 the Company completed the Galleria Offering and issued 3,869,000 Galleria Units at a price of \$0.50 per Galleria Unit, each Galleria Unit comprised of one Common Share and one-half of one Common Share purchase warrant, each Common Share purchase warrant exercisable at \$0.75 per Common Share until March 10, 2019, for gross proceeds of \$1,934,500 completed through the use of a Short Form Offering Document under the policies of the TSX Venture Exchange.

In addition, in connection with the Transaction, QYOU Holdings completed the Brokered QYOU Offering and issued 8,632,000 QYOU Subscription Receipts at a price of \$0.50 per QYOU Subscription Receipt. Upon satisfaction of certain escrow release conditions, the QYOU Subscription Receipts were automatically exchanged for QYOU Units, each QYOU Unit comprised of one QYOU Class A Common Share and one-half of one QYOU Class A Common Share purchase warrant, for gross proceeds of \$4,316,000. Additionally, 2,130,000 QYOU Subscription Receipts were sold directly by QYOU on a non-brokered basis at a price of \$0.50 per QYOU Subscription Receipt, for gross proceeds of \$1,065,000 as part of the QYOU Non-Brokered Offering. In aggregate, the QYOU Brokered Offering and the QYOU Non-Brokered Offering resulted in the sale of 10,762,000 QYOU Units and gross proceeds of \$5,381,000.

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The agents in connection with the Galleria Offering and the QYOU Offering were also paid a cash commission equal to 7.5% of the gross proceeds of the QYOU Brokered Offering and the Galleria Offering, and 1% of the gross proceeds of the QYOU Non-Brokered Offering. The Company paid broker fees of \$479,663 for services rendered for the issuance of the subscription units. Additionally, the Company incurred \$447,609 of legal fees related to financing that has been recorded as a reduction of share capital.

As part of the QYOU Offering, QYOU Holdings issued 730,000 QYOU Subscription Receipts at a price of \$0.50 per QYOU Subscription Receipts for a total proceeds of \$365,000. These subscription receipts were provided as payment against future services from certain consultants of the Company. This amount has been recorded as an expense during the year ended June 30, 2017, with the shares being included in [c] above. .

- [b] Prior to the Transaction, the Company consolidated its Common Shares on a two-old-for-one-new basis resulting in 3,089,151 Common Shares before giving effect to the aforementioned Transaction. The fair value estimate for the 3,089,151 Common Shares was estimated at \$0.45 per Common Share totaling \$1,390,147.
- [c] In July 2017, the Company received notices to exercise 1,002,750 compensation options in the capital of the Company, each exercisable at a price of \$0.50 into one unit of the Company, for gross proceeds of \$501,375. Each unit was composed of one Common Share and one half of one Common Share purchase warrant, each whole Common Share purchase warrant exercisable for one Common Share at a price of \$0.75, with expiration dates ranging from January 15, 2018 to January 29, 2018. The fair value of the Common Share purchase warrants was determined to be \$61,580 using the Black-Scholes option pricing model and has been recorded as a reduction of share capital and allocated to warrants. The Company also transferred the associated amount of \$262,046 from contributed surplus to share capital.
- [d] On November 21, 2017, the Company completed an offering of 15,541,100 units of the Company (the "Units"), at a price of \$0.37 per Unit on a bought deal basis pursuant to a short form prospectus for gross proceeds of \$5,750,207 (the "Offering"). Each Unit consists of one Common Share and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.55 per Common Share until November 21, 2019. In connection with the Offering, the Company also granted the underwriter, Clarus Securities Inc. ("Clarus"), and other members of its selling group compensation equal to: (i) a cash commission of \$402,514, being 7% of the gross proceeds derived from the Offering (the "Underwriting Fee"); and (ii) 1,087,877 compensation options of the Company (the "Compensation Options"), each Compensation Option exercisable into one Unit until November 21, 2019 at a price of \$0.37. Also in connection with the Offering, the Company paid a cash fee of \$125,000 to PowerOne Capital Markets Limited as compensation for acting as special financial advisor in connection with the Offering (the "Advisory Fee"). The net proceeds to the Company from the Offering was \$4,763,193, after deducting the Underwriting Fee of \$402,514, the Advisory Fee of \$125,000, legal costs of \$359,750 and audit related costs of \$99,750.

As part of the Offering, 7,770,550 Warrants partially comprising the Units were issued. Each Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.55 per share until November 21, 2019. The fair value of the Warrants was determined to be \$683,746 based on the Black-Scholes option pricing model and has been recorded as a reduction of share capital.

In connection with the Offering, the Underwriting Fee was \$402,514, the Advisory Fee was \$125,000, and the Company also incurred \$459,500 of legal/audit fees, all of which have been recorded as a reduction of share capital.

In connection with the Offering, the Company also granted Clarus and other members of its selling group 1,087,877 Compensation Options, each Compensation Option exercisable into one Unit until November 21, 2019 at a price of \$0.37. The fair value of the Compensation Options was determined to be \$144,319 based on the Black-Scholes option pricing model and has been recorded as a reduction of share capital.

- [e] In January 2018, 14,583,668 warrants expired in accordance with their terms resulting in transfer of \$2,911,899 from warrants to contributed surplus.

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9. SHARE-BASED COMPENSATION

The Company has established a stock option (“Stock Option”) plan and restricted share unit (“RSU”) plan for directors, officers, employees and consultants of the Company. The Company’s Board of Directors determines, among other things, the eligibility of individuals to participate in these plans and the term, vesting periods, and the exercise price of Stock Options granted to individuals under the option plan.

Each Stock Option is exercisable into one Common Share of the Company on receipt of the applicable exercise price. Each RSU converts into one common share of the Company on the applicable vesting date at nil exercise price. Stock Options may be exercised at any time from the date of vesting to the date of their expiry.

[i] Stock Options

The changes in the number of Stock Options during the years were as follows:

	Number of options #	Weighted average exercise price \$
Outstanding as at June 30, 2016	-	-
Granted	6,593,996	0.50
Outstanding as at June 30, 2017	6,593,996	0.50
Granted	450,000	0.50
Expired	(497,225)	(0.50)
Outstanding as at June 30, 2018	6,546,771	0.50

The fair value of share options granted during the years ended June 30, 2018 and 2017 was \$0.21 and \$0.27, respectively, determined at the date of grant using the Black Scholes option pricing model using the following inputs:

	2018	2017
Grant date share price	\$ 0.42	\$ 0.50
Exercise price	\$ 0.50	\$ 0.50
Expected dividend yield	-	-
Risk-free interest rate	0.67%	0.67%
Expected life [years]	5	5
Expected volatility	65%	65%

Expected volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on government bonds with a remaining term equal to the expected life of the options.

The following table is a summary of the Company’s Stock Options outstanding as at June 30, 2018:

Exercise price \$	Options outstanding		Exercise price \$	Options exercisable
	Number outstanding #	Weighted average remaining contractual life [years]		Number exercisable #
0.50	6,546,741	3.79	0.50	3,496,718

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[ii] RSUs

The changes in the number of RSUs during the years and a summary of these RSUs as at June 30, 2018 is as follows:

	Number of RSUs #	Number exercisable #	Weighted average remaining contractual life [years]
Outstanding as at June 30, 2017 and 2018	-		
Granted	4,475,000	790,000	4.26
Outstanding as at June 30, 2018	4,475,000	790,000	4.26

The fair value of RSUs granted during the year ended June 30, 2018 was \$0.24 - \$0.34 determined grant date share price on the date of the grant.

[iii] Share-based compensation expense

The Company recognized \$1,187,848 of share-based compensation expense related to Stock Options and RSUs during the year ended June 30, 2018 (2017 – \$785,858), with a corresponding amount recognized as a contributed surplus.

10. RELATED PARTY TRANSACTIONS

Key management personnel and directors include the Company's CEO and CFO and members of the Board of Directors. The compensation paid or payable to key management and directors comprised the following:

- On June 5, 2017, the Company agreed to loan Curt Marvis, the Chief Executive Officer of the Company, an aggregate principal amount of US\$150,000, as evidenced by a promissory note issued by Mr. Marvis to the Company, which bears interest at a rate of 3% per annum (the "Officer Loan"). As at June 30, 2018, the carrying value of the loan, inclusive of principle and interest was US\$ 154,375 or C\$203,281 as determined using the Bank of Canada exchange rate on June 30, 2018 of US\$1=C\$1.3168.
- The Company paid consulting fees of \$241,762 to Curt Marvis for services rendered for the year ended June 30, 2018 [2017 – \$237,088].
- BFPS and the Company are considered to be related parties for accounting purposes as a result of common share ownership and because an officer of the Company also acts as a director of BFPS.
- In addition, BFPS provides outsourced production services, on a cost plus basis, for the Company's videos under the terms of a production services contract. This service contract ended December 31, 2017. For the six months ended December 31, 2017 and for the year ended June 30, 2018, the Company paid production cost of \$323,645.
- As at June 30, 2018, the total amount due to BFPS was nil.
- During the year ended June 30, 2018 and for the six months ended December 31, 2017 BFPS paid certain operating expenses of the Company, which include salaries for certain employees as well as related expenses in the amount of \$1,112,263 [2017 – \$1,223,638]. These amounts were reimbursed by the Company.

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11. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% on the net loss for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017
	\$	\$
Loss before income taxes	(6,713,269)	(6,768,317)
Statutory federal and provincial income tax rate in Canada	27.0%	27.0%
Income tax recovery at the statutory tax rate	(1,812,583)	(1,827,446)
Foreign gains (losses) subject to different rates	168,244	(141,891)
Deferred tax asset not recognized	1,606,192	2,000,663
Permanent differences	299,706	214,401
Share issuance costs recorded in equity	(261,559)	(245,727)
	-	-

As of June 30, 2018, the Company has net operating loss carry-forwards of \$10,579,550 in Canada, \$5,391,440 in Ireland and \$6,836,805 in the USA.

12. COMMITMENTS AND CONTINGENCIES

Commitments

As at June 30, 2018, the Company is committed under operating leases, primarily relating to office and studio space, for the following minimum annual rentals:

	\$
2019	1,132,459
2020	142,733
2021	7,680
2022	-
2023	-
Thereafter	-
	1,282,872

On September 10, 2018, the Company terminated one of the leases and entered into a new premise lease resulting in reduction of commitments above of \$382,792.

Contingencies

In the ordinary course of business, from time to time the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these financial statements.

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13. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms. As at June 30, 2018, two customer represented 70.8% (June 30, 2017 – 73.2%) of the outstanding trade receivable balance.

The Company does not hold any collateral as security, but mitigates this risk by dealing only with those parties whom management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The Company has nil allowance for doubtful accounts as at June 30, 2018 and 2017 that was recognized during the year.

The aging of trade receivables is as follows:

	2018	2017
	\$	\$
Current	475,603	548,693
1 to 30 days	548,866	89,998
31 to 60 days	54,270	65,015
> 60 days	398,886	281,539
Total gross trade receivables	1,477,625	985,245
Less: allowance for doubtful accounts	-	-
Total trade receivables, net	1,477,625	985,245

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

The Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Total contractual cash flows	Contractual cash flows		
			Year 1	Year 2	Year 3 and beyond
	\$	\$	\$	\$	\$
Trade and other payables	1,668,835	1,668,835	1,668,835	-	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's income that arises from fluctuations of foreign exchange rates. The Company is exposed to foreign currency exchange risk as it has sales and purchase contracts in currencies other than the functional currency of the Company and its subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
[expressed in Canadian dollars, unless otherwise noted]

June 30, 2018 and 2017

Since the Company's reporting currency is Canadian dollars and the Company has significant US operations and European operations with US dollars and euros as the functional currency, the Company is exposed to foreign currency fluctuations on its reported amounts of US assets and liabilities. As at June 30, 2018, the Company had net liabilities (excluding intercompany balances) of \$660,189 denominated in euros and net liabilities of 79,274 denominated in US dollars. A 10% change in exchange rates between US dollars, euros and Canadian dollar would result in \$111,844 of additional net liabilities recorded on the consolidated statements of financial position. All such changes are recorded to other comprehensive income (loss).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at June 30, 2018.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at June 30, 2018.

Fair values

The carrying values of cash, trade receivables, other receivables and trade and other payables approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs, which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[expressed in Canadian dollars, unless otherwise noted]

June 30, 2018 and 2017

14. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. The Company's objectives when managing capital are to build liquidity and shareholders' equity to ensure that strategic objectives are met. The Company makes every attempt to manage its liquidity to minimize shareholder dilution when possible.

The Company policy on dividends is to retain cash to keep funds available to finance operations and growth.

Capital structure is managed within guidelines approved by the Board of Directors. The Company makes adjustments to its capital structure based on changes in economic conditions and planned requirements. The Company has the ability to adjust its capital structure by issuing new equity or debt.

15. SEGMENT INFORMATION

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, with appropriate aggregation. The chief operating decision maker is the Chief Executive Officer, who is responsible for allocating resources, assessing performance of the reportable segment and making key strategic decisions. The Company operates in a single segment, being the distribution of curated media content on pay television platforms. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

As at June 30, 2018, the Company operated in three geographical areas, being Canada, United States of America and Ireland. Revenue and assets by geography are presented below:

	As at June 30, 2018 and for the year then ended				
	Canada	USA	Ireland	Intercompany	Total
Revenue	900,000	1,951,033	2,714,315		5,565,348
Current assets	16,988,753	7,069,989	19,228,822	(40,423,782)	2,863,782
Non-current assets	1,378,185	116,589	1,104,047		2,598,821

	As at June 30, 2017 and for the year then ended				
	Canada	USA	Ireland	Intercompany	Total
Revenue	-	531,900	3,653,167		4,185,067
Current assets	13,999,035	4,510,487	11,725,620	(26,161,435)	4,073,707
Non-current assets	-	26,781	772,975		799,756

The following table represents the customers that represented 10% or more of total revenue:

	2018	2017
Customer A	51%	58%
Customer B	10%	14%

16. SUBSEQUENT EVENTS

On July 19, 2018, the Company completed a short form prospectus offering on a bought deal basis and issued 15,500,000 units of the Company at a price of \$0.20 per unit and an additional 1,012,500 Common Share purchase warrants at a price of \$0.004 per warrant, for aggregate gross proceeds of \$3,104,050. Each unit was comprised of one Common Share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to acquire one Common Share at a price of \$0.37 until July 19, 2020.