

**QYOU Media Inc.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
[expressed in Canadian dollars]

For the three months ended September 30, 2019 and 2018  
[unaudited]

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under Part 4, subsection 4.3(3)(a) of National Instrument 51-102 – *Continuous Disclosure Obligations*, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of QYOU Media Inc. [the “Company”] have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

**QYOU Media Inc.**

**Condensed consolidated interim statements of financial position**

[unaudited] [expressed in Canadian dollars]

[see going concern uncertainty - note 2]

As at,	September 30, 2019	June 30, 2019
	\$	\$
<b>Assets</b>		
Current assets		
Cash	539,512	305,095
Trade receivables	809,367	995,543
Other receivables <i>[note 4]</i>	1,065,718	788,151
Prepaid expenses	210,353	423,709
	<b>2,624,950</b>	2,512,498
Property and equipment, net <i>[note 7]</i>	168,633	200,730
Capitalized programming asset, net <i>[note 8]</i>	713,354	939,979
Right of use asset, net <i>[note 5]</i>	39,202	—
Security deposit	3,803	3,921
Intangible assets, net <i>[note 9]</i>	85,349	88,003
	<b>3,635,291</b>	3,745,131
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	1,699,054	1,633,614
Deferred revenue <i>[note 10]</i>	228,105	110,637
Lease liability, net <i>[note 6]</i>	39,314	—
	<b>1,966,473</b>	1,744,251
<b>Shareholders' equity</b>		
Share capital <i>[note 11]</i>	23,280,923	22,312,422
Warrants <i>[note 11]</i>	2,021,653	1,819,172
Contributed surplus	6,043,540	5,825,151
Foreign exchange translation reserve	(36,489)	(28,833)
Deficit	(29,592,169)	(27,895,913)
Equity attributable to shareholders of the Company	1,717,458	2,031,999
Non-controlling interest <i>[note 13]</i>	(48,640)	(31,119)
	<b>1,668,818</b>	2,000,880
	<b>3,635,291</b>	3,745,131

Commitments and contingencies *[note 14]*

Subsequent events *[note 17]*

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

On behalf of the Board:

"Signed"  
Director - Scott Paterson

"Signed"  
Director - Curt Marvis

**QYOU Media Inc.**

**Condensed consolidated interim statements of loss and comprehensive loss**

[unaudited] [expressed in Canadian dollars]

For the three months ended September 30,

	2019	2018
	\$	\$
REVENUE <i>[note 16]</i>	563,733	1,712,703
OPERATING EXPENSES		
Content and productions costs	802,400	939,496
Sales and marketing	467,617	569,721
Legal and consulting	298,164	756,384
Salaries and benefits	311,698	348,005
Stock-based compensation <i>[note 12]</i>	188,516	187,333
General and administrative	156,730	199,976
Depreciation	43,085	35,458
Foreign exchange gain	(31)	(61,244)
Interest and other expenses	9,331	1,239
<b>Total operating expenses</b>	<b>2,277,510</b>	<b>2,976,368</b>
<b>Loss before income taxes</b>	<b>(1,713,777)</b>	<b>(1,263,665)</b>
Income tax expense	—	44,458
<b>NET LOSS</b>	<b>(1,713,777)</b>	<b>(1,308,123)</b>
<b>Other comprehensive loss</b>		
Item that may be reclassified subsequently to income:		
Exchange loss on translation of foreign operations	(7,656)	(25,132)
Total other comprehensive loss	(7,656)	(25,132)
<b>COMPREHENSIVE LOSS</b>	<b>(1,721,433)</b>	<b>(1,333,255)</b>
<b>Net loss attributable to:</b>		
Equity owners of the Company	(1,696,256)	(1,308,123)
Non-controlling interest <i>[note 13]</i>	(17,521)	—
	<b>(1,713,777)</b>	<b>(1,308,123)</b>
Net loss per share - basic and diluted	(0.01)	(0.01)
Weighted average number of shares outstanding - basic and diluted	<b>136,819,060</b>	<b>94,941,418</b>

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

**Condensed consolidated interim statements of changes in shareholders' equity**

[unaudited] [expressed in Canadian dollars]

For the three months ended September 30, 2019 and 2018

	Common shares #	Share capital \$	Warrants \$	Contributed surplus \$	Non-controlling interests \$	Foreign exchange transaction reserve \$	Deficit \$	Total \$
<b>Balance, June 30, 2018</b>	<b>82,483,809</b>	<b>18,326,516</b>	<b>1,544,395</b>	<b>4,916,841</b>	<b>—</b>	<b>47,183</b>	<b>(21,803,721)</b>	<b>3,031,214</b>
Issuance of common shares and warrants, net of issuance	15,500,000	2,526,912	28,859	104,555	—	—	—	2,660,326
RSUs exercised	200,001	68,000	—	(68,000)	—	—	—	-
Share-based compensation	—	—	—	187,333	—	—	—	187,333
Exchange difference on translating foreign operations	—	—	—	—	—	(25,132)	—	(25,132)
Net loss for the period	—	—	—	—	—	—	(1,308,123)	(1,308,123)
<b>Balance, September 30, 2018</b>	<b>98,183,810</b>	<b>20,921,428</b>	<b>1,573,254</b>	<b>5,140,729</b>	<b>—</b>	<b>22,051</b>	<b>(23,111,844)</b>	<b>4,545,618</b>
<b>Balance, June 30, 2019</b>	<b>136,819,060</b>	<b>22,312,422</b>	<b>1,819,172</b>	<b>5,825,151</b>	<b>(31,119)</b>	<b>(28,833)</b>	<b>(27,895,913)</b>	<b>2,000,880</b>
Issuance of common shares and warrants, net of issuance	26,050,000	968,501	202,481	29,873	—	—	—	1,200,855
Share-based compensation	—	—	—	188,516	—	—	—	188,516
Exchange difference on translating foreign operations	—	—	—	—	—	(7,656)	—	(7,656)
Net loss for the period	—	—	—	—	(17,521)	—	(1,696,256)	(1,713,777)
<b>Balance, September 30, 2019</b>	<b>162,869,060</b>	<b>23,280,923</b>	<b>2,021,653</b>	<b>6,043,540</b>	<b>(48,640)</b>	<b>(36,489)</b>	<b>(29,592,169)</b>	<b>1,668,818</b>

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

**QYOU Media Inc.****Condensed consolidated interim statements of cash flows**

[unaudited] [expressed in Canadian dollars]

For the three months ended September 30,

	2019	2018
	\$	\$
<b>Cash flows from operating activities</b>		
Net loss	(1,713,777)	(1,308,123)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized foreign exchange gain	(31)	(61,244)
Income tax expense	—	44,458
Depreciation expense	43,085	35,458
Amortization expense	226,625	251,622
Share-based compensation	188,516	187,333
	<b>(1,255,582)</b>	<b>(850,496)</b>
Changes in non-cash working capital items		
Trade receivables	186,176	1,086,601
Other receivables	(45,067)	(455,662)
Prepaid expenses	213,356	(88,452)
Security deposit	118	162
Trade and other payables	65,440	(179,245)
Deferred revenue	117,468	(116,290)
<b>Cash used in operating activities</b>	<b>(718,091)</b>	<b>(603,382)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	—	(1,042)
Content and production costs	—	(520,800)
<b>Cash used in investing activities</b>	<b>—</b>	<b>(521,842)</b>
<b>Cash flows from financing activities</b>		
Issuance of shares and warrants, net of issuance costs	968,355	2,660,326
<b>Cash from financing activities</b>	<b>968,355</b>	<b>2,660,326</b>
<b>Net increase in cash during the period</b>	<b>250,264</b>	<b>1,535,102</b>
Effect of foreign exchange on cash	(15,847)	17,760
Cash, beginning of period	305,095	1,069,248
<b>Cash, end of period</b>	<b>539,512</b>	<b>2,622,110</b>

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

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the Three Months Ended September 30, 2019 and 2018**  
 [unaudited] [expressed in Canadian dollars, unless otherwise noted]

**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, ON M5V 1K4. The Company is a global media company that, through its subsidiaries, carries on the business of curating, licensing, programming, and packaging the "best-of-web" short form internet video for multiscreen distribution to video content providers including traditional cable and satellite to Internet Protocol television, over-the-top providers and mobile carriers.

The accompanying condensed consolidated interim financial statements include the accounts of QYOU and its subsidiaries as at September 30, 2019:

Entity name	Country	Ownership percentage September 30, 2019	Ownership percentage June 30, 2019
		%	%
QYOU Media Holdings Inc.	Canada	100	100
QYOU Productions Inc.	Canada	100	100
QYOU Limited	Ireland	100	100
QYOUTV International Limited	Ireland	100	100
QYOU USA Inc.	USA	100	100
QYOU Media India Private Ltd.	India	82	82

**2. BASIS OF PRESENTATION**

**[a] Statement of compliance**

The unaudited condensed consolidated interim financial statements ["Financial Statements"] were prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended June 30, 2019. These condensed consolidated interim financial statements have been prepared in compliance with IAS 34 – Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ["IFRS"] have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2019.

The timely preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements, and the reported amounts of revenue and expenses during the three months ended September 30, 2019. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 26, 2019.

**[b] 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 September 30, 2019, the Company has not yet achieved profitable operations, and has an accumulated deficit of \$29.6 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

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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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. The Company will need to raise capital in order to fund its operations. This need may be adversely impacted by uncertain market conditions, approval by regulatory bodies, and adverse results from operations. The outcome of these matters cannot be predicted at this time.

**[c] Basis of Presentation**

The accompanying Financial Statements include the accounts of QYOU Media Inc. and its subsidiaries. The Financial Statements incorporate the assets and liabilities of the Company and its subsidiaries as at September 30, 2019 and 2018 and the results of these subsidiaries for the period 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 functional currency of QYOU Media Inc.

**[e] Use of estimates and judgements**

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, consistent with those disclosed in the 2018 annual consolidated financial statements and described in these condensed consolidated interim financial statements. 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.

**3. SIGNIFICANT ACCOUNTING POLICIES**

Except for the adoption of IFRS 16 Leases ["IFRS 16"], the significant accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the Company's 2019 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

**New standards, amendments and interpretations adopted by the Company**

**IFRS 16 – Leases ["IFRS 16"]**

The Company has adopted IFRS 16 with an initial adoption date of July 1, 2019.

IFRS 16 specifies how leases will be recognized, measured, presented and disclosed and it provides a single lessee model requiring lessees to recognize right-of-use assets and lease liabilities for all major leases. The Company's accounting policy under IFRS 16 is as follows.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right of control the use of identified asset for a period of time in exchange for consideration. The Company recognized a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of useful life of the right-of-use asset or the lease term

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using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. The lease term includes periods covered by an option to extend if they Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Company used an incremental borrowing rate to the lease liabilities in the opening balance sheet at July 1, 2019 of 7.5%.

The lease liability is measured at the amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use has been reduced to zero. The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less leases of low value assets. The lease payments associated with those leases is recognized as an expense on a straight-line basis over the lease term.

On initial application, the Company has elected to record right-of-use assets at the amount of the corresponding lease liability. Right-of-use assets and lease obligation of \$49,263 were recorded as at July 1, 2019. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at July 1, 2019. The Company has applied the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial adoption. The company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after July 1, 2019.

The following table reconciles the Company's operating lease obligations at June 30, 2019, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at July 1, 2019.

	\$
Operating lease obligation as at June 30, 2019	162,596
Less: Recognition exemption short-term leases	110,492
Adjusted lease commitments	52,104
Less: Impact of present value	2,841
Opening IFRS 16 lease liability as at July 1, 2019	49,263

Impact on statement of financial position as at July 1, 2019:

	Balance as at June 30, 2019	IFRS 16 adjustments	Balance as at July 1, 2019
<b>Assets</b>			
Non-current assets:			
Right-of-use-assets, net	—	49,263	49,263
<b>Liabilities</b>			
Lease liabilities	—	49,263	49,263

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the Three Months Ended September 30, 2019 and 2018**  
 [unaudited] [expressed in Canadian dollars, unless otherwise noted]

**4. OTHER RECEIVABLES**

The Company's other receivables as at September 30, 2019 and June 30, 2019 include the following:

	September 30, 2019	June 30, 2019
	\$	\$
Input tax receivable	571,824	551,776
Officer loan [note 15]	211,888	207,920
Subscription receivable [note 11]	232,500	—
Other	49,506	28,455
	<b>1,065,718</b>	<b>788,151</b>

**5. RIGHT-OF-USE ASSET**

The Company's right-of-use asset as at September 30, 2019:

	\$
Balance – July 1, 2019	49,263
Amortization	(10,061)
<b>Balance – September 30, 2019</b>	<b>39,202</b>

**6. LEASE LIABILITY**

The Company's lease liability at September 30, 2019:

	\$
Balance – July 1, 2019	49,263
Add: Interest expense	1,060
Less: Lease payments	(11,009)
<b>Balance – September 30, 2019</b>	<b>39,314</b>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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[unaudited] [expressed in Canadian dollars, unless otherwise noted]

**7. PROPERTY AND EQUIPMENT**

Property and equipment are composed of the following:

	<b>Computer hardware and equipment</b>	<b>Furniture and fixtures</b>	<b>Total</b>
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
As at June 30, 2018	200,742	227,525	428,267
Additions	6,363	9,299	15,662
Foreign exchange	(2,165)	(138)	(2,303)
As at June 30, 2019	204,940	236,686	441,626
Foreign exchange	738	78	816
<b>As at September 30, 2019</b>	<b>205,678</b>	<b>236,764</b>	<b>442,442</b>
	<b>Computer hardware and equipment</b>	<b>Furniture and fixtures</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Accumulated depreciation</b>			
As at June 30, 2018	65,067	38,698	103,765
Depreciation	61,307	77,668	138,975
Foreign exchange	(1,788)	(56)	(1,844)
As at June 30, 2019	124,586	116,310	240,896
Depreciation	13,380	19,645	33,025
Foreign exchange	(107)	(5)	(112)
<b>As at September 30, 2019</b>	<b>137,859</b>	<b>135,950</b>	<b>273,809</b>
	<b>Computer hardware and equipment</b>	<b>Furniture and fixtures</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net book value</b>			
As at June 30, 2019	80,354	120,376	200,730
<b>As at September 30, 2019</b>	<b>67,819</b>	<b>100,814</b>	<b>168,633</b>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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 [unaudited] [expressed in Canadian dollars, unless otherwise noted]

**8. PROGRAMMING INTANGIBLE ASSET**

The Company produces its own films. 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 of 60% in year 1, 30% in year 2 and 10% in year 3. Amortization is included in the consolidated statement of loss and comprehensive loss under content and productions costs.

<b>Cost</b>	<b>\$</b>
As at June 2018	1,350,904
Additions	998,668
<b>As at September 30, 2019 and June 30, 2019</b>	<b>2,349,572</b>
<b>Accumulated amortization</b>	<b>\$</b>
As at June 2018	258,402
Amortization	1,151,191
As at June 30, 2019	1,409,593
Amortization	226,625
<b>As at September 30, 2019</b>	<b>1,636,218</b>
<b>Net book value</b>	<b>\$</b>
As at June 30, 2019	939,979
<b>As at September 30, 2019</b>	<b>713,354</b>

**9. INTANGIBLE ASSETS**

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

*Intangible asset – Brand name*

On July 15, 2015, the Company 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.

*Capitalized application development*

Capitalized application development costs were costs incurred for the development of a customized mobile application for the Company's curated videos. The mobile application was launched in January 2019 and amortization of the capitalized application development commenced upon launch of the mobile application. As at year ended June 30, 2019, there were indications that the mobile application was impaired due to nominal revenues generated from the application to date resulting in the full net book value being recognized as impairment loss.

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

	Brand name	Capitalized development costs	Total
<b>Cost</b>	\$	\$	\$
As at June 30, 2018	90,799	997,542	1,088,341
Foreign exchange	(2,796)	(30,816)	(33,612)
As at June 30, 2019	88,003	966,726	1,054,729
Foreign exchange	(2,654)	(29,157)	(31,811)
<b>As at September 30, 2019</b>	<b>85,349</b>	<b>937,569</b>	<b>1,022,918</b>

  

	Brand name	Capitalized development costs	Total
<b>Accumulated depreciation</b>	\$	\$	\$
As at June 30, 2018	—	—	—
Amortization	—	245,156	245,156
Foreign exchange	—	(3,475)	(3,475)
Impairment loss	—	725,045	725,045
As at June 30, 2019	—	966,726	966,726
Foreign exchange	—	(29,157)	(29,157)
<b>As at September 30, 2019</b>	<b>—</b>	<b>937,569</b>	<b>937,569</b>

  

	Brand name	Capitalized development costs	Total
<b>Net book value</b>	\$	\$	\$
As at June 30, 2019	88,003	—	88,003
<b>As at September 30, 2019</b>	<b>85,349</b>	<b>—</b>	<b>85,349</b>

#### 10. DEFERRED REVENUE

As at September 30, 2019, the Company has \$228,105 deferred revenue [June 30, 2019: \$110,637]. The Company expects to recognize the entire amount of deferred revenue as revenue within the next 12 month period.

During the three months ended September 30, 2019 the Company recognized increases to deferred revenue of \$143,024 [for fiscal year ended June 30, 2019 - \$122,186] for amounts received and reduction in deferred revenue from revenue recognized of \$26,875 [for fiscal year ended June 30, 2019 - \$274,198].

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the Three Months Ended September 30, 2019 and 2018**  
[unaudited] [expressed in Canadian dollars, unless otherwise noted]

**11. SHARE CAPITAL**

	Common shares #	Share capital \$	Warrants #	Warrants \$	Compensation options #	Compensation options amount within contributed surplus \$
<b>Balance, June 30, 2018</b>	<b>82,483,809</b>	<b>18,326,516</b>	<b>15,086,051</b>	<b>1,544,395</b>	<b>2,046,752</b>	<b>316,219</b>
Broker compensation options exercised	15,500,000	2,526,912	8,762,500	28,859	1,426,000	104,555
Allocated to warrants	200,001	68,000	(1)	—	—	—
<b>Balance, September 30, 2018</b>	<b>98,183,810</b>	<b>20,921,428</b>	<b>23,848,550</b>	<b>1,573,254</b>	<b>3,472,752</b>	<b>420,774</b>
<b>Balance, June 30, 2019</b>	<b>136,819,060</b>	<b>22,312,422</b>	<b>54,868,300</b>	<b>1,819,172</b>	<b>6,156,220</b>	<b>519,330</b>
Issuance of common shares and warrants, net of issuance costs [a]	26,050,000	968,501	26,050,000	202,481	1,639,703	29,873
<b>Balance, September 30, 2019</b>	<b>162,869,060</b>	<b>23,280,923</b>	<b>80,918,300</b>	<b>2,021,653</b>	<b>7,795,923</b>	<b>549,203</b>

[a] During the three months ended September 30, 2019, the Company completed the issuance of 26,050,000 units as part of a private placement [the “Offering”] of 36,000,000 units of the Company [the “Units”] at a price of \$0.05 per Unit. The total gross proceeds from the issuance was \$1,302,500. Each Unit is comprised of one common share of the Company, one-half of one common share purchase warrant exercisable to purchase one common share at a price of \$0.06 [a “6 Cent Warrant”] and a second one-half of one common share purchase warrant exercisable to purchase one common share at a price of \$0.10 [a “10 Cent Warrant”].

Each 6 Cent Warrant is exercisable to purchase one common share in the capital of the Company at a price of \$0.06 per 6 Cent Warrant Share for a period of one year following the closing date. Each new 10 Cent Warrant is exercisable to purchase one common share in the capital of the Company at a price of \$0.10 per 10 Cent Warrant Share for a period of two years following the closing date. The fair value of each 6 Cent Warrant is \$0.013 per warrant and \$0.01 per new 10 Cent Warrant; calculated using the Black-Scholes options pricing model with a market price per common share of \$0.055 on the date of grant, a risk-free interest rate of 1.58%, an expected annualized volatility of 65% and expected dividend yield of 0%.

Total transaction costs for the Offering consisted of \$113,069 in cash and issuance of 2,266,000 compensation options to the agents in connection with the Offering. Each compensation option is exercisable into one Unit until September 30, 2021 at a price of \$0.05. Transaction costs were allocated proportionally to 26,050,000 Units issued during the three months ended September 30, 2019 and 9,950,000 Units issued subsequent to September 30, 2019. Total fair value of the compensation options was determined to be \$41,283 of which \$29,873 was allocated to the Units issued during the three months ended September 30, 2019. The fair value of the compensation units was determined using the Black-Scholes options pricing model with a market price per compensation unit of \$0.05, a risk-free interest rate of 1.58%, an expected annualized volatility of 65% and expected dividend yield of 0%.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the Three Months Ended September 30, 2019 and 2018**  
 [unaudited] [expressed in Canadian dollars, unless otherwise noted]

**12. 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 converts into one common share of the Company on exercise and on receipt of exercise price. Each RSU converts into one common share of the Company on 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 three months ended September 30, 2019 were as follows:

	<b>Number of options</b>	<b>Weighted average</b>
	<b>#</b>	<b>exercise price</b>
		<b>\$</b>
Outstanding as at September 30, 2018 and June 30, 2018	6,546,771	0.50
Outstanding as at June 30, 2019	11,379,062	0.27
Expired	(516,873)	0.50
<b>Outstanding as at September 30, 2019</b>	<b>10,862,189</b>	<b>0.26</b>

No share options were granted during the three months ended September 30, 2019. Fair values of share options granted during the years ended June 30, 2019 were determined at the date of grant using the Black Scholes option pricing model using the following inputs:

	<b>June 30, 2019</b>
Grant date share price	<b>\$0.075 – \$0.08</b>
Exercise price	<b>\$0.06 – \$0.10</b>
Expected dividend yield	—
Risk free interest rate	<b>\$ 0.02</b>
Expected life	<b>5 years</b>
Expected volatility	<b>\$ 0.65</b>

Expected volatility was estimated by using a combination of the historical volatility of the Company and volatilities of companies with longer trading histories that the Company considers comparable. 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.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the Three Months Ended September 30, 2019 and 2018**  
[unaudited] [expressed in Canadian dollars, unless otherwise noted]

The following table is a summary of the Company's Stock Options outstanding as at September 30, 2019:

<b>Options outstanding</b>			<b>Options exercisable</b>		
Exercise price \$	Number outstanding #	Weighted average remaining contractual life	Exercise price \$	Number exercisable #	
		[years] #			
0.06	2,000,000	4.71	0.06	1,541,667	
0.08	2,800,000	4.41	0.08	408,333	
0.08	250,000	4.41	0.08	36,458	
0.10	992,500	4.27	0.10	202,396	
0.50	4,819,689	2.48	0.50	3,565,482	
0.26	10,862,189	3.60	0.34	5,754,336	

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

<b>Options outstanding</b>			<b>Options exercisable</b>		
Exercise price \$	Number outstanding #	Weighted average remaining contractual life	Exercise price \$	Number exercisable #	
		[years] #			
0.21	450,000	4.07	0.21	181,250	
0.27	6,096,771	3.50	0.27	3,420,664	
0.27	6,546,771	3.54	0.27	3,601,914	

*[ii] RSUs*

The changes in the number of RSUs during the three months ended September 30, 2019 and a summary of these RSUs as at September 30, 2019 is as follows:

	<b>Number of RSUs #</b>	<b>Number exercisable #</b>	<b>Weighted average remaining contractual life [years] #</b>
Outstanding as at June 30, 2018	4,475,000	790,000	3.93
Exercised	(200,000)	(200,000)	2.50
Forfeited	(50,000)	—	2.50
<b>Outstanding as at September 30, 2018</b>	<b>4,225,000</b>	<b>590,000</b>	<b>4.01</b>
Outstanding as at June 30, 2019	9,275,000	2,971,667	4.15
Forfeited	(150,000)	(150,000)	1.76
<b>Outstanding as at September 30, 2019</b>	<b>9,125,000</b>	<b>2,821,667</b>	<b>4.19</b>

No RSUs were granted during the three months ended September 30, 2019.

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 [unaudited] [expressed in Canadian dollars, unless otherwise noted]

*[iii] Share-based compensation expense*

The Company recognized \$188,516 of share-based compensation expense related to Stock Options and RSUs during the three months ended September 30, 2019 [2018 – \$187,333] with a corresponding amount recognized as a contributed surplus.

**13. NON-CONTROLLING INTEREST**

As at September 30, 2019 the Company has 82% ownership interest in QYOU Media India Private Limited ["QYOU India"] [June 30, 2019 – 82%], resulting in 18% ownership interest held by non-controlling shareholders. QYOU India was incorporated on September 20, 2018.

Reconciliation of non-controlling interest is as follows:

	\$
Balance – June 30, 2019	(31,119)
Share of net loss for the period	(17,521)
<b>Balance – September 30, 2019</b>	<b>(48,640)</b>

**14. COMMITMENTS AND CONTINGENCIES**

*Commitments*

As at September 30, 2019, the Company is committed under operating leases, primarily relating to office and studio space, for the following minimum annual rentals:

	\$
2020	96,181
Thereafter	—
	96,181

*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.

**15. 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"], and was originally intended to become due on June 5, 2019. Subject to TSX Venture Exchange approval, the Company proposes to extend the term of the promissory note to January 31, 2021. As at September 30, 2019, the carrying value of the Officer Loan, inclusive of principle and interest was US\$160,000 [June 30, 2019 – US\$158,875] or C\$211,888 [June 30, 2019 – C\$207,920].
- The Company paid consulting fees of \$66,215 to a director for services rendered for the three months ended September 30, 2019 [2018 – \$59,328], included in the condensed consolidated interim statements of loss and comprehensive loss under legal and consulting expenses.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the Three Months Ended September 30, 2019 and 2018**  
[unaudited] [expressed in Canadian dollars, unless otherwise noted]

Compensation expense for the Company's key management personnel for the three months ended September 30, 2019 and 2018 is as follows:

	2019	2018
	\$	\$
Salaries, benefits and consulting fees	<b>375,724</b>	372,102
Share-based payments	<b>160,735</b>	657,866
	<b>536,459</b>	1,029,968

**16. 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 CEO 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. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

The Company operates in three geographical areas, being Canada, United States of America and Ireland. Revenue and assets by geography are presented below:

Revenue	Canada	USA	Ireland	Total
Three months ended September 30, 2019	—	379,712	184,021	563,733
Three months ended September 30, 2018	450,000	1,069,362	193,341	1,712,703

	As at September 30, 2019				
	Canada	USA	Ireland	Intercompany	Total
Current assets	21,525,053	6,841,179	17,906,678	(43,647,960)	2,624,950
Non-current assets	852,310	68,879	89,152	—	1,010,341

  

	As at June 30, 2019				
	Canada	USA	Ireland	Intercompany	Total
Current assets	20,675,935	6,851,244	18,380,583	(43,395,264)	2,512,498
Non-current assets	1,059,684	81,025	91,924	—	1,232,633

As at September 30, 2019, four [2018 – four] customers represented 10% or more of total revenue.

**17. SUBSEQUENT EVENTS**

In October, 2019 the Company extended the term of warrants that were originally due to expire on October 30, 2019 to March 31, 2020. These warrants were issued in connection with the Company's short form prospectus offering completed on April 30, 2019, and are each exercisable to purchase one Common Share at a price of \$0.10.

On October 30, 2019, the Company completed the remaining issuance of 9,950,000 Units for total gross proceeds of \$497,500 in relation to the Offering as described in note 11.