

QYOU Media Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended September 30, 2020 and 2019
[unaudited] [expressed in Canadian dollars]

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 1]

As at,	September 30, 2020	June 30, 2020
	\$	\$
Assets		
Current assets		
Cash	271,896	63,504
Trade receivables	689,501	537,000
Other receivables [note 4]	247,374	233,734
Prepaid expenses	32,977	30,576
	1,241,748	864,814
Property and equipment, net [note 8]	67,795	70,534
Right of use asset, net [note 5]	528,590	592,357
Security deposit	45,779	52,024
Intangible asset [note 9]	92,401	90,474
	1,976,313	1,670,203
Liabilities		
Current liabilities		
Trade and other payables	2,214,069	2,436,951
Deferred revenue	8,598	12,547
Lease liability [note 6]	155,039	156,207
Borrowings [note 7]	136,228	184,102
	2,513,934	2,789,807
Non-current liabilities		
Lease liability [note 6]	406,347	459,469
Borrowings [note 7]	119,858	161,326
	3,040,139	3,410,602
Shareholders' deficiency		
Share capital [note 10]	25,463,817	24,060,519
Warrants [note 10]	2,364,212	2,159,411
Contributed surplus	6,839,008	6,607,924
Foreign exchange translation reserve	(106,801)	(93,524)
Accumulated deficit	(35,362,597)	(34,264,642)
Equity attributable to shareholders of the Company	(802,361)	(1,530,312)
Non-controlling interest [note 11]	(261,465)	(210,087)
	(1,063,826)	(1,740,399)
	1,976,313	1,670,203

Contingencies [note 12]

Subsequent events [note 15]

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,	2020	2019
	\$	\$
REVENUE <i>[note 14]</i>	390,950	563,733
OPERATING EXPENSES		
Content and productions costs	685,417	802,400
Sales and marketing	233,045	467,617
Legal and consulting	153,846	298,164
Salaries and benefits	139,717	311,698
Share-based compensation	143,395	188,516
General and administrative	80,546	156,730
Depreciation <i>[note 5 and 8]</i>	71,604	43,085
Foreign exchange gain	(350)	(31)
Interest and other expenses	33,063	9,331
Total operating expenses	1,540,283	2,277,510
NET LOSS	(1,149,333)	(1,713,777)
Other comprehensive loss		
Item that may be reclassified subsequently to income:		
Exchange loss on translation of foreign operations	(13,277)	(7,656)
Total other comprehensive loss	(13,277)	(7,656)
COMPREHENSIVE LOSS	(1,162,610)	(1,721,433)
Net loss attributable to:		
Equity owners of the Company	(1,097,955)	(1,696,256)
Non-controlling interest <i>[note 11]</i>	(51,378)	(17,521)
	(1,149,333)	(1,713,777)
Net loss per share - basic and diluted	(0.00)	(0.01)
Weighted average number of shares outstanding - basic and diluted	237,110,538	136,819,060

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

Condensed consolidated interim statements of changes in shareholders' (deficiency) equity

[unaudited] [expressed in Canadian dollars]

For the three months ended September 30, 2020 and 2019

	Common shares #	Share capital \$	Warrants \$	Contributed surplus \$	Non-controlling interests \$	Foreign exchange translation reserve \$	Deficit \$	Total \$
Balance, June 30, 2018	136,819,060	22,312,422	1,819,172	5,825,151	(31,119)	(28,833)	(27,895,913)	2,000,880
Issuance of common shares and warrants, net of issuance costs [note 10]	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)
Comprehensive loss	—	—	—	—	(17,521)	—	(1,696,256)	(1,713,777)
Balance, September 30, 2019	162,869,060	23,280,923	2,021,653	6,043,540	(48,640)	(36,489)	(29,592,169)	1,668,818
Balance, June 30, 2020	183,634,892	24,060,519	2,159,411	6,607,924	(210,087)	(93,524)	(34,264,642)	(1,740,399)
Issuance of common shares and warrants, net of issuance costs [note 10]	60,666,399	1,360,750	208,721	89,386	—	—	—	1,658,857
Share-based compensation	—	—	—	143,395	—	—	—	143,395
Compensation options and warrants exercised [note 10]	634,750	42,548	(3,920)	(1,697)	—	—	—	36,931
Exchange difference on translating foreign operations	—	—	—	—	—	(13,277)	—	(13,277)
Comprehensive loss	—	—	—	—	(51,378)	—	(1,097,955)	(1,149,333)
Balance, September 30, 2020	244,936,041	25,463,817	2,364,212	6,839,008	(261,465)	(106,801)	(35,362,597)	(1,063,826)

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,

	2020 \$	2019 \$
Operating activities		
Net loss	(1,149,333)	(1,713,777)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized foreign exchange gain	—	(31)
Depreciation expense	71,604	43,085
Amortization expense	—	226,625
Share-based compensation	143,395	188,516
Interest expense	30,728	—
	(903,606)	(1,255,582)
Changes in non-cash working capital items		
Trade receivables	(188,088)	186,176
Other receivables	(18,256)	(45,067)
Prepaid expenses	(2,435)	213,356
Security deposit	5,388	118
Trade and other payables	(221,582)	65,440
Deferred revenue	(3,680)	117,468
Cash used in operating activities	(1,332,259)	(718,091)
Investing activities		
Purchase of property and equipment <i>[note 8]</i>	(16,104)	—
Cash used in investing activities	(16,104)	—
Financing activities		
Repayment of lease obligation <i>[note 6]</i>	(56,626)	—
Repayment of loan <i>[note 7]</i>	(100,847)	—
Proceeds from exercise of compensation options and warrants <i>[note 10]</i>	36,930	—
Issuance of shares and warrants, net of issuance costs <i>[note 10]</i>	1,699,942	968,355
Cash provided by financing activities	1,579,399	968,355
Net change in cash	231,036	250,264
Effect of foreign exchange on cash	(22,644)	(15,847)
Cash, beginning of period	63,504	305,095
Cash, end of period	271,896	539,512

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

September 30, 2020 and 2019

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 110 Spadina Avenue, Suite 300, Toronto, ON M5V 2K4. The Company is a global media company that, through its subsidiaries, curates, produces and distributes content created by social media stars and digital content creators.

The Company has the following subsidiaries:

Entity name	Country	Ownership percentage	Ownership percentage
		September 30, 2020	June 30, 2020
		%	%
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	88	88

Impact of COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19,” has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company’s business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

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, 2020, the Company has not yet achieved profitable operations, and has an accumulated deficit of \$35,362,597, net loss of \$1,149,333 and working capital deficiency of \$1,272,186. 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. The Company will need to raise capital in order to fund its operations. This need may be adversely impacted by uncertain market conditions, COVID-19, approval by regulatory bodies, and adverse results from operations. The outcome of these matters cannot be predicted at this time.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

September 30, 2020 and 2019

2. BASIS OF PRESENTATION

[a] Statement of compliance

These 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, 2020. These financial statements have been prepared in compliance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed. These financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2020.

The timely preparation of the 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, 2020. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the Financial Statements.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 27, 2020.

[b] Functional currency and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of QYOU Media Inc. The functional currencies of the Company’s subsidiaries is as follows:

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
QYOU Media India Private Ltd.	India	Indian Rupee

[c] Use of estimates and judgments

The preparation of these 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 audited consolidated financial statements for the year ended June 30, 2020 and described in these 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparing these Financial Statements are unchanged from those disclosed in the Company’s 2020 annual consolidated financial statements and have been applied consistently to all periods presented in these Financial Statements.

New standards, amendment and interpretation adopted by the Company

IFRS 3 Business combinations

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The amendment adoption did not have a significant impact on the Company's financial statements.

IAS 1 Presentation of financial statements

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across International Financial Reporting Standards and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The amendment adoption did not have a significant impact on the Company's financial statements.

4. OTHER RECEIVABLES

The Company's other receivables are comprised of the following:

	September 30, 2020	June 30, 2020
	\$	\$
Input tax receivable	29,448	12,620
Officer loan [note 13]	217,926	221,114
	247,374	233,734

5. RIGHT-OF-USE ASSET

The Company's right-of-use asset as at September 30, 2020 is as follows:

	\$
Balance – July 1, 2019	49,263
Additions	640,375
Depreciation	(123,806)
Effects of foreign exchange	26,525
Balance – June 30, 2020	592,357
Depreciation	(52,489)
Effects of foreign exchange	(11,278)
Balance – September 30, 2020	528,590

The Company has three office leases with maturities ranging between 1 to 5 years.

6. LEASE LIABILITY

The Company's lease liability as at September 30, 2020 is as follows:

	\$
Balance – July 1, 2019	49,263
Additions	640,375
Add: Interest expense	28,277
Less: Lease payments	(126,815)
Effects of foreign exchange	24,576
Balance – June 30, 2020	615,676
Add: Interest expense	14,052
Less: Lease payments	(56,626)
Effects of foreign exchange	(11,716)
Balance – September 30, 2020	561,386
Current	155,039
Non-current	406,347

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

September 30, 2020 and 2019

The Company made lease payments of \$8,646 (2019 – \$nil), \$nil (2019 – \$nil), and \$nil (2019 – \$nil), related to short-term, variable and low value leases, respectively.

7. BORROWINGS

		September 30, 2020	June 30, 2020
		\$	\$
Current			
Loan 1	[i]	132,328	82,427
Loan 2	[ii]	3,900	828
Loan 3	[iii]	—	100,847
		136,228	184,102
Non-current			
Loan 1	[i]	63,319	103,714
Loan 2	[ii]	56,539	57,612
		119,858	161,326
Total		256,086	345,428

[i] On April 20, 2020 (“disbursement date”), the Company received a loan for gross proceeds of \$237,555 (USD \$168,646) under the U.S. Small Business Administration’s Paycheck Protection Program. The loan is required to be repaid in full no later than two years from the disbursement date. The loan accrues interest at an annual rate of 1%, with payments of principal and interest commencing seven months from the disbursement date. The loan may be forgiven, in whole or in part, at Lender’s discretion. The loan is to be repaid in equal installments beginning seven months after the date of disbursement.

The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company’s incremental borrowing rate of 17%, \$192,297. The difference between the initial carrying amount and the proceeds received of \$45,158 was recognized as a government grant. The Company recognized in income the value of the grant as it incurred the related expenses for which the grant was intended to compensate. The full value of the grant had been recognized in income during the year ended June 30, 2020 as a deduction of the related operating expenses.

The balance outstanding as at September 30, 2020 is as follows:

	\$
Principal balance	237,555
Grant adjustment to fair value	(45,158)
Interest and accretion expense	5,432
Effects of foreign exchange	(11,688)
Balance, June 30, 2020	186,141
Interest and accretion expense	8,193
Effects of foreign exchange	1,313
Balance, September 30, 2020	195,647
Current	132,328
Non-Current	63,319

[ii] On May 20, 2020 (“date of advance”), the Company received a loan for gross proceeds of \$206,700 (USD \$150,000) from the U.S. Small Business Administration under the Economic Injury Disaster Loan program. The loan bears annual interest at a rate of 3.75%. Monthly repayments of \$996 (USD \$731) will commence 12 months from the date of advance and the loan matures 30 years from the date of advance.

The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company’s incremental borrowing rate of 17%, \$58,955. The difference between the initial carrying amount and proceeds received is the value of the grant of \$147,745. The Company recognized in income the value of the grant as it incurred the related expenses for which the grant was intended to compensate. The full value of the grant had been recognized in income during the year ended June 30, 2020 as a deduction of the related operating expenses.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

September 30, 2020 and 2019

The balance outstanding at September 30, 2020 is as follows:

	\$
Principal balance	206,700
Grant adjustment to fair value	(147,745)
Interest and accretion expense	846
Effects of foreign exchange	(1,361)
Balance, June 30, 2020	58,440
Interest and accretion expense	2,536
Effects of foreign exchange	(537)
Balance, September 30, 2020	60,439
Current	3,900
Non-Current	56,539

[iii] As at June 30, 2020, the Company had outstanding loans for a total \$100,847. The full balance was repaid in July 2020.

8. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	Computer hardware and equipment	Furniture and fixtures	Total
Cost	\$	\$	\$
As at June 30, 2019	204,940	236,686	441,626
Additions	—	38,814	38,814
Foreign exchange	11,777	990	12,767
As at June 30, 2020	216,717	276,490	493,207
Additions	16,104	—	16,104
Foreign exchange	(2,279)	(1,016)	(3,295)
As at September 30, 2020	230,542	275,474	506,016

	Computer hardware and equipment	Furniture and fixtures	Total
Accumulated depreciation	\$	\$	\$
As at June 30, 2019	124,586	116,310	240,896
Depreciation	56,232	82,063	138,295
Impairment loss	2,160	36,529	38,689
Foreign exchange	4,599	194	4,793
As at June 30, 2020	187,577	235,096	422,673
Depreciation	14,841	4,274	19,115
Foreign exchange	(3,435)	(132)	(3,567)
As at September 30, 2020	198,983	239,238	438,221

	Computer hardware and equipment	Furniture and fixtures	Total
Net book value	\$	\$	\$
As at June 30, 2020	29,140	41,394	70,534
As at September 30, 2020	31,559	36,236	67,795

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

September 30, 2020 and 2019

9. INTANGIBLE ASSET

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.

A summary of the Company’s intangible asset is as follows:

	Brand name
Cost	\$
As at June 30, 2019	88,003
Foreign exchange	2,471
As at June 30, 2020	90,474
Foreign exchange	1,927
As at September 30, 2020	92,401

10. SHARE CAPITAL

	Common shares	Share capital	Warrants	Warrants	Compensation options	Compensation options amount within contributed surplus
	#	\$	#	\$	#	\$
Balance, June 30, 2019	136,819,060	22,312,422	54,868,300	1,819,172	6,156,220	519,330
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
Balance, September 30, 2019	162,869,060	23,280,923	80,918,300	2,021,653	7,795,923	549,203
Balance, June 30, 2020	183,634,892	24,060,519	69,430,125	2,159,411	6,795,467	568,903
Issuance of common shares and warrants, net of issuance costs [b]	60,666,399	1,360,750	30,333,200	208,721	5,549,973	89,386
Compensation options and warrants exercised [c]	634,750	42,548	(403,750)	(3,920)	(115,500)	(1,697)
Warrants expired	—	—	(8,762,500)	—	—	—
Balance, September 30, 2020	244,936,041	25,463,817	90,597,075	2,364,212	12,229,940	656,592

[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

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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%.

- [b] During the three months ended September 30, 2020, the Company completed the issuance of 60,666,399 units of the Company (the “Units”) as part of a private placement at a price of \$0.03 per Unit. The total gross proceeds from the issuance was \$1,820,002. 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 \$0.05 (a “5 Cent Warrant”).

Each 5 Cent Warrant is exercisable to purchase one common share in the capital of the Company at a price of \$0.05 per 5 Cent Warrant Share until June 30, 2022. The fair value of each 5 Cent Warrant is \$0.01 per warrant; calculated using the Black-Scholes options pricing model with a market price per common share of \$0.035 on the date of grant, a risk-free interest rate of 0.24%, an expected annualized volatility of 76% and expected dividend yield of 0%.

Total transaction costs for the Offering consisted of \$161,145 in cash and issuance of 5,549,973 compensation options to the agents in connection with the Offering. Each compensation option is exercisable into one Unit until June 30, 2022 at a price of \$0.05. Total fair value of the compensation options was determined to be \$89,386. The fair value of the compensation units was determined using the Black-Scholes options pricing model with a market price per compensation unit of \$0.035, a risk-free interest rate of 0.24%, an expected annualized volatility of 76% and expected dividend yield of 0%.

- [c] During the three months ended September 30, 2020, 115,500 compensation options were exercised for proceeds of \$5,775. Upon exercise of the compensation options the Company issued 115,500 common shares, 57,750 6 Cent Warrants, and 57,750 10 Cent Warrants. During the three months ended September 30, 2020, 519,250 6 Cent Warrants were exercised for proceeds of \$31,155.

The following is a summary of the Company’s warrants outstanding as at September 30, 2020:

Expiry date	Warrants Outstanding	
	Exercise price	Number Outstanding
	\$	#
October 31, 2020	\$0.06	17,038,500
April 30, 2021	\$0.12	19,167,625
September 30, 2021	\$0.10	18,057,750
February 11, 2022	\$0.08	6,000,000
June 30, 2022	\$0.05	30,333,200
	\$ 0.08	90,597,075

11. NON-CONTROLLING INTEREST

Effective June 1, 2020, the Company increased its ownership interest in QYOU Media India Private Limited (“QYOU India”) to 88% (June 30, 2019 – 82%). The Company received the additional interest in exchange for funding the operations of QYOU India since its inception, resulting in a decrease of the ownership interest held by non-controlling shareholders to 12% (June 30, 2019 – 18%). As at September 30, 2020, the Company has an 88% ownership interest in QYOU India (June 30, 2020 – 88%).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

September 30, 2020 and 2019

Reconciliation of non-controlling interest is as follows:

	\$
Balance — June 30, 2019	(31,119)
Share of net loss for the period	(277,238)
Adjustment for increased ownership interest	98,270
Balance — June 30, 2020	(210,087)
Share of net loss for the period	(51,378)
Balance — September 30, 2020	(261,465)

12. 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.

13. RELATED PARTY TRANSACTIONS

Key management personnel and directors include the Company's CEO, CFO, executives and members of the Board of Directors. The compensation paid or payable to key management and directors is comprised of 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. The Company extended the term of the promissory note to January 31, 2021. As at September 30, 2020, the carrying value of the Officer Loan, inclusive of principle and interest was \$217,926 (US\$163,375) (June 30, 2020 – \$221,114 or US\$162,250).

Compensation expense for the Company's key management personnel for the three months ended September 30, 2020 and 2019 is as follows:

	For the period ended September 30,	
	2020	2019
	\$	\$
Salaries, benefits and consulting fees	270,540	375,724
Share based payments	131,204	160,735
	401,744	536,459

14. 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 four geographical areas, being Canada, United States of America, Ireland and India. Revenue and assets by geography are presented below:

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

September 30, 2020 and 2019

	As at and for the period ended September 30, 2020					Total
	Canada	USA	Ireland	India	Intercompany	
Revenue	—	285,419	78,671	26,860	—	390,950
Current assets	22,801,935	7,963,788	19,432,963	18,900	(48,975,838)	1,241,748
Non-current assets	528,589	90,940	90,213	24,823	—	734,565

	As at and for the period ended September 30, 2019					Total
	Canada	USA	Ireland	India	Intercompany	
Revenue	—	379,712	184,021	—	—	563,733
Current assets	21,509,404	7,535,339	19,020,683	34,500	(47,235,112)	864,814
Non-current assets	592,523	108,297	94,505	10,064	—	805,389

As at September 30, 2020, one (2019 – four) customer(s) represented 10% or more of total revenue.

15. SUBSEQUENT EVENTS

In October 2020, 16,350,000 warrants with an exercise price of \$0.06 per warrant were exercised in exchange for 16,350,000 common shares of the Company.

In October 2020, 180,619 compensation options with an exercise price of \$0.05 per option were exercised in exchange for 180,619 common shares and 90,309 warrants with an exercise price of \$0.05 per warrant.

In October 2020, 89,381 warrants with an exercise price of \$0.05 per warrants were exercised in exchange for 89,381 common shares of the Company.