

QYOU Media Inc.
CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2020 and 2019
[expressed in Canadian dollars]

To the Shareholders of QYOU Media Inc.:

Opinion

We have audited the consolidated financial statements of QYOU Media Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2020 and June 30, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020 and June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as at June 30, 2020, the Company has yet to achieve profitable operations, and has an accumulated deficit of \$34,264,642, net loss of \$6,547,697 and a working capital deficiency of \$1,924,993. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Giacomo Angelini.

Burlington, Ontario

October 28, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

QYOU Media Inc.

Consolidated statements of financial position

[expressed in Canadian dollars]

[see going concern uncertainty - note 1]

As at June 30,	2020	2019
	\$	\$
Assets		
Current assets		
Cash	63,504	305,095
Trade receivables [note 17]	537,000	995,543
Other receivables [note 4]	233,734	788,151
Prepaid expenses	30,576	423,709
	864,814	2,512,498
Property and equipment, net [note 8]	70,534	200,730
Programming intangible asset, net [note 9]	—	939,979
Right of use asset, net [note 5]	592,357	—
Security deposit	52,024	3,921
Intangible assets, net [note 10]	90,474	88,003
	1,670,203	3,745,131
Liabilities		
Current liabilities		
Trade and other payables [note 17]	2,436,951	1,633,614
Deferred revenue	12,547	110,637
Lease liability [note 6]	156,207	—
Borrowings [note 7]	184,102	—
	2,789,807	1,744,251
Non-current liabilities		
Lease liability [note 6]	459,469	—
Borrowings [note 7]	161,326	—
	3,410,602	1,744,251
Shareholders' (deficiency) equity		
Share capital [note 11]	24,060,519	22,312,422
Warrants [note 11]	2,159,411	1,819,172
Contributed surplus	6,607,924	5,825,151
Foreign exchange translation reserve	(93,524)	(28,833)
Accumulated deficit	(34,264,642)	(27,895,913)
Equity attributable to shareholders of the Company	(1,530,312)	2,031,999
Non-controlling interest [note 13]	(210,087)	(31,119)
	(1,740,399)	2,000,880
	1,670,203	3,745,131

Contingencies [note 14]

Subsequent events [note 20]

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.

Consolidated statements of loss and comprehensive loss

[expressed in Canadian dollars]

For the years ended June 30,	2020	2019
	\$	\$
REVENUE <i>[note 19]</i>	2,802,252	4,718,148
OPERATING EXPENSES		
Content and productions costs	3,860,207	4,242,487
Sales and marketing	1,501,674	2,031,921
Legal and consulting	1,283,165	1,463,129
Salaries and benefits	639,132	1,032,504
Stock-based compensation <i>[note 12]</i>	862,675	892,198
Impairment loss <i>[notes 8 and 9]</i>	295,254	725,045
General and administrative	603,289	439,624
Depreciation <i>[notes 5, 8]</i>	269,561	138,975
Foreign exchange (gain) loss	(10,674)	8,760
Interest and other expenses	45,666	6,106
Total operating expenses	9,349,949	10,980,749
Loss before income taxes	(6,547,697)	(6,262,601)
Income tax recovery <i>[note 16]</i>	—	(139,290)
NET LOSS	(6,547,697)	(6,123,311)
Other comprehensive loss		
Item that may be reclassified subsequently to income:		
Exchange loss on translation of foreign operations	(64,691)	(76,016)
Total other comprehensive loss	(64,691)	(76,016)
COMPREHENSIVE LOSS	(6,612,388)	(6,199,327)
Net loss attributable to:		
Equity owners of the Company	(6,270,459)	(6,092,192)
Non-controlling interest <i>[note 13]</i>	(277,238)	(31,119)
	(6,547,697)	(6,123,311)
Net loss per share - basic and diluted	(0.04)	(0.06)
Weighted average number of shares outstanding - basic and diluted	167,264,419	103,972,989

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

Consolidated statements of changes in shareholders' (deficiency) equity

[expressed in Canadian dollars]

For the years ended June 30, 2020 and 2019

	Common shares #	Share capital \$	Warrants \$	Contributed surplus \$	Non-controlling interests \$	Foreign exchange translation reserve \$	Deficit \$	Total \$
Balance, June 30, 2018	82,483,809	18,326,516	1,544,395	4,916,841	—	47,183	(21,803,721)	3,031,214
Issuance of common shares and warrants, net of issuance costs [note 11]	53,835,250	3,798,906	274,777	203,112	—	—	—	4,276,795
RSUs exercised [note 12]	500,001	187,000	—	(187,000)	—	—	—	—
Share-based compensation [note 12]	—	—	—	892,198	—	—	—	892,198
Comprehensive loss	—	—	—	—	(31,119)	(76,016)	(6,092,192)	(6,199,327)
Balance, June 30, 2019	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	42,000,000	1,582,330	346,531	49,573	—	—	—	1,978,434
Share-based compensation [note 12]	4,315,832	129,475	—	733,200	—	—	—	862,675
Warrants exercised	500,000	36,292	(6,292)	—	—	—	—	30,000
Change in ownership interest in subsidiaries [note 13]	—	—	—	—	98,270	—	(98,270)	—
Comprehensive loss	—	—	—	—	(277,238)	(64,691)	(6,270,459)	(6,612,388)
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)

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

QYOU Media Inc.**Consolidated statements of cash flows**

[expressed in Canadian dollars]

For the years ended June 30,

	2020 \$	2019 \$
Operating activities		
Net loss	(6,547,697)	(6,123,311)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized foreign exchange gain	—	8,760
Impairment loss	295,254	725,045
Depreciation expense	262,101	138,975
Amortization expense	683,414	1,396,347
Share-based compensation [note 12]	862,675	892,198
Government grant recognized [note 7]	(192,903)	—
Interest expense	34,555	—
	(4,602,601)	(2,961,986)
Changes in non-cash working capital items		
Trade receivables	473,315	366,081
Other receivables	562,850	(549,432)
Prepaid expenses	419,488	(430,225)
Security deposit	(47,498)	89,375
Trade and other payables	708,130	(322,458)
Deferred revenue	(101,313)	(152,120)
Cash used in operating activities	(2,587,629)	(3,960,765)
Investing activities		
Purchase of property and equipment [note 8]	(38,814)	(15,662)
Content and production costs [note 9]	—	(998,668)
Cash used in investing activities	(38,814)	(1,014,330)
Financing activities		
Repayment of lease obligation [note 6]	(126,815)	—
Proceeds from borrowings [note 7]	545,102	—
Proceeds from exercise of warrants	30,000	—
Issuance of shares and warrants, net of issuance costs [note 11]	1,978,434	4,276,795
Cash provided by financing activities	2,426,721	4,276,795
Net change in cash during the year	(199,722)	(698,300)
Effect of foreign exchange on cash	(41,869)	(65,853)
Cash, beginning of year	305,095	1,069,248
Cash, end of year	63,504	305,095

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, 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, curate, produce 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
		June 30, 2020	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	88	82

Impact of COVID-19

During the year ended June 30, 2020, 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 June 30, 2020, the Company has not yet achieved profitable operations, and has an accumulated deficit of \$34,264,642, net loss of \$6,547,697 and working capital deficiency of \$1,924,993. 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 CONSOLIDATED FINANCIAL STATEMENTS

[expressed in Canadian dollars, unless otherwise noted]

June 30, 2020 and 2019

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 28, 2020.

[b] Basis of measurement

These financial statements have been prepared on a historical cost basis. 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 Media Inc. and its subsidiaries, QYOU Productions Inc., QYOU Media Holdings Inc., QYOU Limited Ltd., QYOU USA Inc. QYOUTV International Limited and QYOU Media India Private Ltd. The financial statements incorporate the assets and liabilities of the Company and its subsidiaries as at June 30, 2020 and 2019 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 functional currency of QYOU Media Inc.

[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:

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

June 30, 2020 and 2019

[i] 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 judgement. 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.

[ii] Impairment of property and equipment and intangible assets

Impairment testing requires management to make estimates related to future cash flow projections and market trends. Impairment of property and equipment and intangible assets is influenced by judgment in defining a cash generating unit and determining the indicators of impairment and estimated used to measure impairment losses.

[iii] Capitalization of internally generated intangible assets, the 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.

Initial capitalization of development cost is based on management's judgement that economic and technological feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions using the expected future cash generation of the assets, discount rates to be applied and the expected period of benefit to determine the amount to be capitalized.

[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, and expected risk-free interest rate and the rate 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] 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.

[vi] Leases

The application of IFRS 16 Leases requires assumptions and estimates in order to determine the value of the right-of-use assets and the lease liabilities. Judgment must be applied when determining the implicit and incremental rates of borrowing, as applicable. Judgment must also be applied as to whether renewal options are reasonably certain of being exercised and whether periods covered by an option to terminate are reasonably certain of not being exercised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[a] Cash

Cash consists of cash and cash held in trust accounts. As a result, the carrying amount of cash approximates fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[expressed in Canadian dollars, unless otherwise noted]

June 30, 2020 and 2019

[b] Trade receivables

The Company's standard terms of credit on trade receivables are due in full in 30 days. 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

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.

[d] Intangible Assets

Expenditures on research activities are recognized as an expense in the period in which they are incurred. Externally and internally generated intangibles are recognized only if they meet strict criteria, relating in particular to technical feasibility, probability that a future economic benefit associated with the asset will flow to the entity and 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. The Company intends to use the brand name indefinitely.

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 judgment 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 an accelerated basis over three years. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[expressed in Canadian dollars, unless otherwise noted]

June 30, 2020 and 2019

The Company's financial statements are presented in Canadian dollars, which is also the functional currency of QYOU Media Inc. 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 the following wholly owned subsidiaries:

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	Rupee

The financial statements of entities that have a functional currency different from that of QYOU Media Inc. (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 and liabilities denominated in currencies other than an operation's functional currency are recognized in operating expenses as foreign exchange loss in the consolidated statements of loss and comprehensive loss.

[f] Revenue recognition

The Company recorded revenue from contracts with customers in accordance with five steps:

1. Identify the contract with customer
2. Identify the performance obligations in the contract
3. Determine the transaction price, which is the total consideration provided by the customer
4. Allocate the transaction price among the performance obligations in the contract based on the relative fair value
5. Recognize revenue when the revenue criteria are met for each performance obligation

Content and program revenue and influencer marketing revenue

The Company contracts with its customers for the development and delivery of programs through fixed price agreements. Each episode of program is generally a performance obligation. The Company has concluded that the revenue from contract and program and influencer marketing should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the episode.

Licensing revenue

The Company also generates subscriber revenue from pay television distributors. The Company revenue is recognized at the point in time when the control of the asset is transferred to the customers, generally on delivery of programming.

The Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company has determined that revenue by geography best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to segment note for the disclosure on disaggregated revenue by geography.

[g] Income Taxes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[expressed in Canadian dollars, unless otherwise noted]

June 30, 2020 and 2019

Income tax expense includes both current and deferred taxes. The Company uses judgment to interpret tax rules and regulations to calculate the expense recorded in each period. The Company recognizes income tax expense in net loss 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 judgment 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 judgment on the adequacy of existing tax liabilities, these changes would affect the income tax expense in the period that the Company makes this determination.

[h] Stock-based Compensation

Stock options 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 and warrants awarded to employees are accounted for using the fair value method. The fair value of such stock options 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.

[i] 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 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. For all periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effects of warrants (note 11) and options (note 12).

[j] Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

[k] Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit and loss ("FVTPL"). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial asset as a whole is assessed for classification.

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A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	Subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	Subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss, even upon derecognition.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or amortized cost.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities and equity instruments

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Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Classification of financial instruments

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

Classification	
Cash	Amortized cost
Trade receivables	Amortized cost
Other receivables	Amortized cost
Security deposit	Amortized cost
Trade and other payables	Amortized cost
Borrowings	Amortized cost

Impairment of financial assets

An expected credit loss (“ECL”) model applies to the financial assets measured at amortized costs. The Company’s financial assets measured at amortized cost and subject to the ECL model consist primarily of trade and other receivables. The Company applies the simplified approach to the impairment for trade and other receivables by recognizing a loss allowance based on lifetime expected losses at each reporting date taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has assessed the impairment of its trade and other receivables using the expected credit loss model, and no material difference was noted.

[I] Government Assistance

Government assistance is recognized when there is reasonable assurance it will be received and all related conditions will be complied with. When the government assistance relates to an expense item, it is recognized as a reduction of expense over the period necessary to match the government assistance on a systematic basis to the costs it is intended to subsidize.

ADOPTION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(a) 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 the 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. The Company used an incremental borrowing rate to measure the lease liabilities in the opening balance sheet at July 1, 2019 of 10%.

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, unless it 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 or to leases of low value assets when applicable. 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 of July 1, 2019. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at July 1, 2019. 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 modified retrospective method with comparative periods not restated. 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
Assets			
Non-current assets:			
Right-of-use-assets, net	—	49,263	49,263
Liabilities			
Current:			
Lease liabilities			
Non current:			
Lease liabilities	—	44,661	44,661
Lease liabilities	—	4,602	4,602

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

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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. IFRIC 23 had no material impact on the financial statements of the Company.

(b) New and revised IFRS standards in issue but not yet effective:

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.

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 Company does not expect these amendments to have a significant impact on its 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 Company does not expect these amendments to have a significant impact on its financial statements.

4. OTHER RECEIVABLES

The Company's other receivables as at June 30, 2020 and 2019 include the following:

	June 30, 2020	June 30, 2019
	\$	\$
Input tax receivable	12,620	551,776
Officer loan <i>[note 15]</i>	221,114	207,920
Other	—	28,455
	233,734	788,151

5. RIGHT-OF-USE ASSET

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

The Company's right-of-use asset as at June 30, 2020:

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

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6. LEASE LIABILITY

The Company's lease liability as at June 30, 2020:

	\$
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
Current	156,207
Non-current	459,469

The Company made lease payments of \$111,510, \$nil, and \$nil, related to short-term, variable and low value leases, respectively.

7. BORROWINGS

	June 30, 2020	\$
Current		
Loan 1 [i]	82,427	
Loan 2 [ii]	828	
Loan 3 [iii]	100,847	
	184,102	
Non-current		
Loan 1 [i]	103,714	
Loan 2 [ii]	57,612	
	161,326	
Total	345,428	

[i] On April 20, 2020 ("disbursement date"), the Company received a loan for gross proceeds of \$237,555 (\$168,646 USD) 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. As at June 30, 2020, the full value of the grant had been recognized in income as a deduction of the related operating expenses.

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

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	\$
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
Current	82,427
Non-Current	103,714

During the year ended June 30, 2020, the Company also received a grant for \$13,628 (\$10,000 USD) under the Paycheck Protection Program. The grant does not have to be repaid back and was recorded as a deduction to salaries and benefits expense.

[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. As at June 30, 2020, the full value of the grant had been recognized in income as a deduction of the related operating expenses.

The balance outstanding at June 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
Current	828
Non-Current	57,612

[iii] As at June 30, 2020, the Company had outstanding loans for a total \$100,847. The loans are unsecured, non-interest bearing and due on demand. The full balance was repaid in July 2020.

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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, 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
Additions	—	38,814	38,814
Foreign exchange	11,777	990	12,767
As at June 30, 2020	216,717	276,490	493,207

	Computer hardware and equipment	Furniture and fixtures	Total
Accumulated depreciation	\$	\$	\$
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	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

	Computer hardware and equipment	Furniture and fixtures	Total
Net book value	\$	\$	\$
As at June 30, 2019	80,354	120,376	200,730
As at June 30, 2020	29,140	41,394	70,534

9. 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 complete.

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.

As at June 30, 2020, there were indications that the programming intangible asset was impaired as the assets were not generating revenues and there was no reasonable expectation of future revenues. As a result the full net book value has been recognized as an impairment loss.

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	Programming Asset
Cost	\$
As at June 2018	1,350,904
Additions	998,668
As at June 30, 2020 and June 30, 2019	2,349,572

	Programming Asset
Accumulated amortization	\$
As at June 2018	258,402
Amortization	1,151,191
As at June 30, 2019	1,409,593
Amortization	683,414
Impairment loss	256,565
As at June 30, 2020	2,349,572

	Programming Asset
Net book value	\$
As at June 30, 2019	939,979
As at June 30, 2020	—

10. 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 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 follows:

	Brand name	Capitalized development costs	Total
Cost	\$	\$	\$
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	2,471	27,144	29,615
As at June 30, 2020	90,474	993,870	1,084,344

	Brand name	Capitalized development costs	Total
Accumulated amortization	\$	\$	\$
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	—	27,144	27,144
As at June 30, 2020	—	993,870	993,870

	Brand name	Capitalized development costs	Total
Net book value	\$	\$	\$
As at June 30, 2019	88,003	—	88,003
As at June 30, 2020	90,474	—	90,474

11. SHARE CAPITAL

	Common shares #	Share capital \$	Warrants #	Warrants \$	Compensation options #	Compensation options amount within contributed surplus \$
Balance, June 30, 2018	82,483,809	18,326,516	15,086,051	1,544,395	2,046,752	316,219
Issuance of common shares and warrants, net of issuance costs [a] [b]	53,835,250	3,798,906	47,097,750	274,777	4,109,468	203,111
RSUs exercised [c]	500,001	187,000	(1)	—	—	—
Warrants expired [d]	—	—	(7,315,500)	—	—	—
Balance, June 30, 2019	136,819,060	22,312,422	54,868,300	1,819,172	6,156,220	519,330
Q2 Issuance of common shares and warrants, net of issuance costs [e]	36,000,000	1,338,428	36,000,000	279,821	2,266,000	41,283
Q3 Issuance of common shares and warrants, net of issuance costs [f]	6,000,000	243,902	6,000,000	66,710	420,000	8,290
Warrants expired [g]	—	—	(26,938,175)	—	(2,046,753)	—
Share-based compensation [i]	4,315,832	129,475	—	—	—	—
Warrants exercised [h]	500,000	36,292	(500,000)	(6,292)	—	—
Balance, June 30, 2020	183,634,892	24,060,519	69,430,125	2,159,411	6,795,467	568,903

[a] On July 19, 2018, the Company completed a short form prospectus offering (the "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 in the capital of the Company (each, a "Common

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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 per share until July 19, 2020.

Fair value of the Common Share and Common Share purchase warrants issued in the Offering was determined to be \$0.196 per Common Share and \$0.004 per Common Share purchase warrant based on the transaction prices in the Offering. Gross proceeds of \$3,104,050 were allocated to the Common Share and Common Share purchase warrants in the amount of \$3,069,000 and \$35,050, respectively.

Transaction costs of the Offering consisted of \$596,953 in cash and the issuance of 1,426,000 compensation units to the underwriters in the Offering. Each compensation unit is exercisable to acquire one Common Share and one-half of one Common Share purchase warrant at an exercise price of \$0.20 per compensation unit for a period of two years from the date of issuance. Total fair value of the compensation units was \$104,555 and was determined using the Black-Scholes option pricing model with a market price per compensation unit of \$0.20, a risk-free interest rate of 1.93%, an expected annualized volatility of 65% and expected dividend yield of 0%.

The Offering also included a subscription by director of the Company for 1,000,000 units for \$200,000.

- [b] On April 30, 2019, the Company completed a short form prospectus offering (the “Offering”) on a best-efforts basis and issued 38,335,250 units of the Company at a price of \$0.06 per unit, for aggregate gross proceeds of \$2,300,115. Each Unit is comprised of one common share of the Company, one-half of one common share purchase warrant (a “10 Cent Warrant”) and a second one-half of one common share purchase warrant (a “12 Cent Warrant”).

In connection with the Offering, the Company also granted the agents 2,680,000 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 \$98,556 based on the Black Scholes options pricing model and has been recorded as a reduction of share capital.

Each 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 six months following the closing of the offering. Each 12 Cent Warrant is exercisable to purchase one common share in the capital of the Company at a price of \$0.12 per 12 Cent Warrant Share for a period of two years following the closing date. Their fair value of each 10 Cent Warrant is \$0.008 per warrant and \$0.019 per 12 Cent Warrant; calculated using the Black Scholes model with a market price per common share of \$0.08 on the date of grant, a risk-free interest rate of 1.56%, an expected annualized volatility of 65% and expected dividend yield of 0%. The fair value of all the warrants is \$245,918 as calculated using the Black-Scholes options pricing model.

Transaction costs of the Offering consisted of \$530,418 in cash and issuance of compensation units with a fair value of \$98,556 to the underwriters in the Offering, with a fair value of \$0.037 determined using Black Scholes model.

The Offering also included a subscription by a director of the Company for 1,000,000 Units for \$60,000.

- [c] For the year ended June 30, 2019, 500,000 restricted stock units (“RSUs”) were redeemed for 500,000 Common Shares and accordingly, \$187,000 was transferred from contributed surplus to share capital.
- [d] In March 2019, 7,315,500 warrants expired in accordance with their terms.
- [e] During the six months ended December 31, 2019, the Company completed the issuance of 36,000,000 units as part of a private placement at a price of \$0.05 per Unit. The total gross proceeds from the issuance was \$1,800,000. Each Unit is comprised of one common share of the Company, one-half of a purchase warrant exercisable at a price of \$0.06 (a “6 Cent Warrant”) and one-half of a purchase warrant exercisable at a price of \$0.10 (a “10 Cent Warrant”).

Each whole 6 Cent Warrant is exercisable to purchase one common share in the capital of the Company at a price of \$0.06 for a period of one year following the closing date. Each whole 10 Cent Warrant is exercisable to purchase one common share in the capital of the Company at a price of \$0.10 for a period of two years

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following the closing date. The fair value of each 6 Cent Warrant is \$0.013 per warrant and \$0.01 per 10 Cent Warrant; based on the relative fair value of the shares issued and the warrants, 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%. The fair value of all the warrants is \$279,821 as calculated using the Black-Scholes options pricing model.

Transaction costs for the Offering consisted of \$140,468 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. Total fair value of the compensation options was determined to be \$41,283. 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%.

- [f] On February 11, 2020, the Company completed the issuance of 6,000,000 units as part of a private placement at a price of \$0.06 per Unit. The total gross proceeds from the issuance was \$360,000. Each Unit is comprised of one common share of the Company, one purchase warrant exercisable at a price of \$0.08 (an "8 Cent Warrant").

Each 8 Cent Warrant is exercisable to purchase one common share in the capital of the Company at a price of \$0.08 for a period of two year following the closing date. The fair value of each 8 Cent Warrant is \$0.015 per warrant; based on the relative fair value of the shares issued and the warrants, 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 1.51%, an expected annualized volatility of 68% and expected dividend yield of 0%. The fair value of the warrants is \$66,710 as calculated using the Black-Scholes options pricing model.

Transaction costs for the Offering consisted of \$41,098 in cash and issuance of 420,000 compensation options to the agents in connection with the Offering. Each compensation option is exercisable into one Unit until February 11, 2022 at a price of \$0.06. Total fair value of the compensation options was determined to be \$8,290. The fair value of the compensation units was determined using the Black-Scholes options pricing model with a market price per compensation unit of \$0.06, a risk-free interest rate of 1.51%, an expected annualized volatility of 68% and expected dividend yield of 0%.

- [g] During the period ending June 30, 2020, 26,938,175 warrants and 2,046,753 compensation options expired in accordance with their terms.
- [h] On January 14, 2020, 500,000 warrants were exercised at \$0.06 per warrant into 500,000 common shares.
- [i] On March 23, 2020, the Company issued 4,315,832 common shares to certain directors and their holding corporations as compensation for services provided to the Company valued at \$129,475.

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

Expiry date	Warrants Outstanding	
	Exercise price \$	Number Outstanding #
July 19, 2020	\$0.37	8,762,500
September 30, 2020 (i)	\$0.06	17,500,000
April 30, 2021	\$0.12	19,167,625
September 30, 2021	\$0.10	18,000,000
February 11, 2022	\$0.08	6,000,000
	\$ 0.13	69,430,125

- (i) Subsequent to June 30, 2020, the warrants were extended to October 30, 2020

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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 the date of vesting 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 ended June 30, 2020 and 2019 is as follows:

	Number of options #	Weighted average exercise price \$
Outstanding as at June 30, 2018	6,546,771	0.50
Granted	6,275,000	0.08
Forfeited	(357,920)	0.50
Expired	(1,084,789)	0.41
Outstanding as at June 30, 2019	11,379,062	0.27
Granted	1,000,000	0.05
Forfeited	(57,812)	0.08
Expired	(747,291)	0.46
Outstanding as at June 30, 2020	11,573,959	0.24

The fair value of share options granted during the year ended June 30, 2020 was \$0.02 (2019 – \$0.04 to \$0.05) determined at the date of grant using the Black Scholes option pricing model using the following inputs:

	June 30, 2020	June 30, 2019
Grant date share price	\$0.045	\$0.075 – \$0.08
Exercise price	\$0.050	\$0.06 – \$0.10
Expected dividend yield	—	—
Risk free interest rate	0.74%	1.80%
Expected life	5 years	5 years
Expected volatility	70%	65%

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.

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June 30, 2020 and 2019

The following table is a summary of the Company's Stock Options outstanding as at June 30, 2020:

Options outstanding			Options exercisable		
Exercise price	Number outstanding	Weighted average remaining contractual life [years]	Exercise price	Number exercisable	
\$	#	#	\$	#	
0.050	1,000,000	4.68	0.050	83,333	
0.060	2,000,000	3.96	0.060	2,000,000	
0.075	3,917,188	3.66	0.075	2,007,188	
0.500	4,656,771	1.79	0.500	4,015,085	
0.241	11,573,959	3.05	0.282	8,105,606	

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

Options outstanding			Options exercisable		
Exercise price	Number outstanding	Weighted average remaining contractual life [years]	Exercise price	Number exercisable	
\$	#	#	\$	#	
0.060	2,000,000	4.96	0.060	—	
0.075	2,800,000	4.67	0.075	228,516	
0.080	250,000	4.67	0.080	20,833	
0.100	992,500	4.67	0.100	80,208	
0.500	5,336,562	2.46	0.500	3,316,107	
0.274	11,379,062	3.69	0.462	3,645,664	

[ii] RSUs

The changes in the number of RSUs during the years ended June 30, 2020 and 2019 is as follows:

	Number of RSUs	Number exercisable	Weighted average remaining contractual life [years]
	#	#	#
Outstanding as at June 30, 2018	4,475,000	790,000	4.26
Granted	5,350,000	2,681,667	4.66
Exercised	(500,000)	(500,000)	0.34
Forfeited	(50,000)	—	0.34
Outstanding as at June 30, 2019	9,275,000	2,971,667	4.73
Vested	—	4,503,333	—
Forfeited	(150,000)	—	1.01
Granted	2,700,000	—	5.68
Outstanding as at June 30, 2020	11,825,000	7,475,000	3.49

The fair value of RSUs granted during the year ended June 30, 2020 was \$0.045 (2019 – \$0.08) per unit, determined by reference to the Company's share price on the date of grant.

[iii] Share-based compensation expense

The Company recognized \$733,200 of share-based compensation expense related to Stock Options and RSUs during the year ended June 30, 2020 (2019 – \$892,198) with a corresponding amount recognized as contributed surplus.

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[expressed in Canadian dollars, unless otherwise noted]

June 30, 2020 and 2019

13. NON-CONTROLLING INTEREST

Effective June 1, 2020, the Company increased its ownership interest in QYOU Media India Private Limited (“QYOU Indian”) 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 12% (June 30, 2019 – 18%).

Reconciliation of non-controlling interest is as follows:

	\$
Balance — June 30, 2018	—
Share of net loss for the period	(31,119)
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)

14. 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, CFO, executives and members of the Board of Directors. The compensation paid or payable to key management and directors 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 June 30, 2020, the carrying value of the Officer Loan, inclusive of principle and interest was \$221,114 (US\$162,250) (June 30, 2019 – C\$207,920 or US\$158,875).

Compensation expense for the Company’s key management personnel for the year ended June 20, 2020 and 2019 is as follows:

	2020	2019
	\$	\$
Salaries, benefits and consulting fees	1,260,913	1,472,727
Share based payments	592,157	793,703
	1,853,070	2,266,430

Included in trade and other payables is \$27,089 (2019 - \$nil) owing to related parties.

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

June 30, 2020 and 2019

16. INCOME TAXES

The reconciliation of income tax expense for the years ended June 30, 2020 and 2019 consists of the following:

	June 30, 2020	June 30, 2019
	\$	\$
Loss before income taxes	(6,547,697)	(6,262,601)
Statutory Rate	26.50%	27.00%
Expected income tax recovery at combined basis federal and provincial tax rates	(1,735,140)	(1,690,902)
Effect on income taxes of:		
Non-deductible expenses	246,460	208,168
Losses not recognized	1,411,090	646,235
Change in temporary differences not recognized	81,365	143,285
Rate differential between jurisdictions	(3,353)	531,413
Other	(422)	22,512
Income Tax Expense (Recovery)	—	(139,289)
	2020	2019
Current	—	(139,290)
Deferred	—	-
	—	(139,290)

The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized, are approximately as follows:

	June 30, 2020	June 30, 2019
Property and equipment and intangible assets	4,009,045	1,853,478
Right of use assets and lease liabilities	18,077	—
Share issue costs	1,431,430	2,610,750
Non-capital losses	30,878,533	27,218,658
Total	36,337,085	31,682,886

The Company has the following non-capital losses available to reduce future years' federal and provincial taxable income, which expire as follows:

	Canada	Ireland	United States	India
2038 and prior	8,760,849	5,391,440	6,836,805	—
2039	1,340,597	2,228,913	995,061	—
2040	1,957,883	591,061	1,151,049	1,624,876
	\$ 12,059,329	\$ 8,211,414	\$ 8,982,915	\$ 1,624,876

17. 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, 2020, two customers represented 76.5% (June 30, 2019 – 59.2%) of the outstanding trade receivable balance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[expressed in Canadian dollars, unless otherwise noted]

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

The Company has \$nil provision for expected credit losses as at June 30, 2020 and 2019 that was recognized during the year.

The aging of trade receivables is as follows:

	June 30, 2020	June 30, 2019
	\$	\$
Current	94,502	575,554
1 to 30 days	106,977	208,963
31 to 60 days	5,955	35,530
> 60 days	329,566	175,496
Total trade receivables	537,000	995,543

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	Contractual cash flows					
		Total contractual cash flows	Year 1	Year 2	Year 3	Year 4	Year 5 and beyond
	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	2,436,951	2,436,951	2,436,951	—	—	—	—
Lease Liability	615,676	724,859	211,796	211,209	204,629	97,225	—
Borrowings	345,428	679,022	198,143	147,150	11,954	11,954	309,820

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

Since the Company's reporting currency is Canadian dollars and the Company has significant US operations, Indian operations and European operations with US dollars, Indian Rupee and Euros as the functional currency, the Company is exposed to foreign currency fluctuations on its reported amounts of US, India and European assets and liabilities. As at June 30, 2020, the Company had net liabilities of €117,568 (excluding intercompany balances) (2019 – €495,962) denominated in Euros, net liabilities of \$682,118 (excluding intercompany balances) (2019 – \$70,340) denominated in US dollar and net liabilities of ₹16,097,042 (excluding intercompany balances) (2019 – \$nil) denominated in Indian Rupees. A 10% change in exchange rates between US dollars, Euros, Indian rupees and Canadian dollar would result in \$139,992 of additional net liabilities recorded on the consolidated statements of financial position (2019 – \$83,039). All such changes are recorded to other comprehensive income (loss).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2020 and 2019

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 cash flow interest rate risk as at June 30, 2020.

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, 2020.

Fair values

The carrying values of cash, trade receivables, other receivables, borrowings 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.

18. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' (deficiency) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[expressed in Canadian dollars, unless otherwise noted]

June 30, 2020 and 2019

19. 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:

	As at and for the year ended June 30, 2020					
	Canada	USA	Ireland	India	Intercompany	Total
Revenue	6,594	2,185,284	544,221	66,153	—	2,802,252
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 and for the year ended June 30, 2019					
	Canada	USA	Ireland	India	Intercompany	Total
Revenue	900,000	3,005,455	812,693	—	—	4,718,148
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 June 30, 2020, three (2019 – five) customers represented 10% or more of total revenue.

20. SUBSEQUENT EVENTS

On July 24, 2020, the Company completed an offering of 60,666,399 units for gross proceeds of \$1,819,992. Each unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrants exercisable at \$0.05 per common share until June 30, 2022. The Company issued 5,549,973 compensation options to the agents in connection with the offering.

On August 14, 2020, the Company approved incentive Stock Option and Restricted Share Unit grants to employees and advisors in connection with work being done on behalf of the company. The Company will issue a total of 5,150,000 RSUs, 600,000 vesting immediately and remaining vesting on a monthly basis over three years and a total of 7,350,000 Stock Options, with various vesting dates, a strike price of \$0.05 per share and an expire date of August 14, 2025.

On September 22, 2020, Company approved incentive Stock Option and Restricted Share Unit grants to employees and advisors in connection with work being done on behalf of the company. The Company has issued a total of 300,000 RSUs vesting immediately and a total of 3,750,000 Stock Options vesting monthly over two years with a strike price of \$0.05 per share and an expire date of September 23, 2023.