

QYOU Media Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended September 30, 2021 and 2020
[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]

As at	September 30, 2021	June 30, 2021
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	7,767,599	9,026,915
Trade receivables	3,012,592	2,156,016
Other receivables [note 5]	1,543,541	332,569
Prepaid expenses [note 6]	2,483,784	150,341
	14,807,516	11,665,841
Non-current assets		
Property and equipment, net	52,643	50,011
Capitalized programming asset, net	83,285	—
Right-of-use assets, net [note 7]	350,649	351,300
Security deposit	47,799	47,340
Intangible assets, net [notes 4 & 10]	1,019,549	1,007,232
Goodwill [notes 4 & 11]	3,384,982	3,247,096
	19,746,423	16,368,820
Liabilities		
Current liabilities		
Trade and other payables	3,291,682	2,400,459
Contingent consideration [note 4]	787,538	765,498
Deferred revenue	147,641	19,420
Lease liabilities [note 8]	151,922	133,362
Borrowings [note 9]	11,176	10,872
	4,389,959	3,329,611
Non-current liabilities		
Contingent consideration [note 4]	1,473,242	1,432,008
Deferred tax liabilities	284,771	233,473
Lease liabilities [note 8]	243,647	257,155
Borrowings [note 9]	53,366	52,008
	6,444,985	5,304,255
Shareholders' equity (deficiency)		
Share capital [note 12]	44,823,346	41,450,812
Warrants [note 12]	3,700,683	3,763,942
Share-based payment reserve	8,673,913	7,701,263
Foreign exchange translation reserve	237,974	(69,271)
Accumulated deficit	(43,483,659)	(41,230,375)
Equity attributable to shareholders' of the Company	13,952,257	11,616,371
Non-controlling interests [note 13]	(650,819)	(551,806)
	13,301,438	11,064,565
	19,746,423	16,368,820

Contingencies [note 14]

Subsequent events [note 17]

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

On behalf of the Board:

"Signed"
Director - Scott Paterson

"Signed"
Director - Curt Marvis

QYOU Media Inc.

Condensed consolidated interim statements of loss and comprehensive loss

[unaudited] [expressed in Canadian dollars, except number of shares]

For the three months ended September 30,	2021	2020
	\$	\$
REVENUE <i>[note 16]</i>	4,725,463	390,950
OPERATING EXPENSES		
Content and productions costs	3,065,362	685,417
Sales and marketing	1,199,665	233,045
Legal and consulting	390,301	153,846
Salaries and benefits	1,040,992	139,717
Share-based compensation	1,048,816	143,395
General and administrative	188,757	80,546
Depreciation and amortization	61,301	71,604
Foreign exchange (gain) loss	62,798	(350)
Interest and other expenses	19,768	33,063
Total operating expenses	7,077,760	1,540,283
NET LOSS	(2,352,297)	(1,149,333)
Other comprehensive gain (loss)		
Item that may be reclassified subsequently to income:		
Exchange gain (loss) on translation of foreign operations	307,245	(13,277)
Total other comprehensive gain (loss)	307,245	(13,277)
COMPREHENSIVE LOSS	(2,045,052)	(1,162,610)
Net loss attributable to:		
Equity owners of the Company	(2,253,284)	(1,097,955)
Non-controlling interests <i>[note 13]</i>	(99,013)	(51,378)
	(2,352,297)	(1,149,333)
Net loss per share - basic and diluted	(0.01)	—
Weighted average number of shares outstanding		
- basic and diluted	387,295,463	237,110,538

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

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

For the three months ended September 30, 2021 and 2020

[unaudited] [expressed in Canadian dollars, except number of shares]

	Common shares #	Share capital \$	Warrants \$	Share-based payment reserve \$	Non-controlling interests \$	Foreign exchange translation reserve \$	Accumulated deficit \$	Total \$
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 <i>[note 12]</i>	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 <i>[note 12]</i>	634,750	42,548	(3,920)	(1,697)	—	—	—	36,931
Exchange difference on translation 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)
Balance, June 30, 2021	381,437,719	41,450,812	3,763,942	7,701,263	(551,806)	(69,271)	(41,230,375)	11,064,565
Issuance of common shares, net of issuance costs <i>[note 12]</i>	7,896,875	2,275,423	—	—	—	—	—	2,275,423
Share-based compensation	—	—	—	1,048,816	—	—	—	1,048,816
Compensation options and warrants exercised <i>[note 12]</i>	10,143,300	1,024,044	(63,259)	(10,495)	—	—	—	950,290
Restricted share units redeemed <i>[note 12]</i>	1,216,669	60,833	—	(60,833)	—	—	—	—
Share options exercised <i>[note 12]</i>	100,002	12,234	—	(4,838)	—	—	—	7,396
Exchange difference on translation foreign operations	—	—	—	—	—	307,245	—	307,245
Comprehensive loss	—	—	—	—	(99,013)	—	(2,253,284)	(2,352,297)
Balance, September 30, 2021	400,794,565	44,823,346	3,700,683	8,673,913	(650,819)	237,974	(43,483,659)	13,301,438

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,	2021 \$	2020 \$
Operating activities		
Net loss	(2,352,297)	(1,149,333)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized foreign exchange loss	62,798	—
Depreciation and amortization	61,301	71,604
Share-based compensation	1,048,816	143,395
Interest expense	10,346	30,728
	(1,169,036)	(903,606)
Changes in non-cash working capital items		
Trade receivables	(1,442,654)	(188,088)
Other receivables	(591,719)	(18,256)
Prepaid expenses	(2,311,781)	(2,435)
Security deposit	875	5,388
Trade and other payables	1,008,097	(221,582)
Deferred revenue	76,603	(3,680)
Cash used in operating activities	(4,429,615)	(1,332,259)
Investing activities		
Content and production costs	(94,384)	—
Purchase of property and equipment	(7,034)	(16,104)
Cash used in investing activities	(101,418)	(16,104)
Financing activities		
Repayment of lease obligation <i>[note 8]</i>	(36,538)	(56,626)
Proceeds from borrowings	—	(100,847)
Repayment of loan <i>[note 9]</i>	(2,763)	—
Proceeds from exercise of options	7,396	—
Proceeds from exercise of compensation options and warrants <i>[note 12]</i>	950,290	36,930
Issuance of shares and warrants, net of issuance costs <i>[note 12]</i>	2,275,423	1,699,942
Cash provided by financing activities	3,193,808	1,579,399
Net change in cash and cash equivalents	(1,337,225)	231,036
Effect of foreign exchange on cash	77,909	(22,644)
Cash and cash equivalents, beginning of period	9,026,915	63,504
Cash and cash equivalents, end of period	7,767,599	271,896

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

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

September 30, 2021 and 2020

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
		September 30, 2021	June 30, 2021
		%	%
QYOU Media 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
Chatterbox Technologies Private Ltd.	India	97	—

Impact of COVID-19

During the period ended September 30, 2021 and 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.

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, 2021. 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, 2021.

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, 2021. 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 26, 2021.

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

September 30, 2021 and 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 are as follows:

Name of Subsidiary	Jurisdiction of incorporation	Functional currency
QYOU Media 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
Chatterbox Technologies 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, 2021 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 2021 annual consolidated financial statements and have been applied consistently to all periods presented in these Financial Statements.

New standards, amendments and interpretations not yet adopted by the Company:

The following new accounting standards have been issued but not yet adopted by the Company as at September 30, 2021:

IAS 1, Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. In July 2020, the effective date was deferred to January 1, 2023. The Company is assessing the impact of adopting these amendments on its financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates.

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

September 30, 2021 and 2020

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is assessing the impact of adopting these amendments on its financial statements.

IAS 12, Income Taxes ("IAS 12")

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12). The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is assessing the impact of adopting these amendments on its financial statements.

IFRS 9, Financial Instruments ("IFRS 9")

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Company is assessing the impact of adopting these amendments on its financial statements.

4. BUSINESS COMBINATION

Chatterbox Technologies Private Ltd. ("Chatterbox")

On June 14, 2021, the Company acquired 97% of the outstanding common shares of Chatterbox, an influencer marketing company based in India for total consideration of \$4,711,063, as part of the Company's international distribution and strategic partnerships growth strategy. The purchase consideration consisted of cash consideration of \$2,630,345, working capital and 2021 EBITDA adjustments of (\$106,242) and \$2,186,960 of contingent consideration.

The share acquisition of Chatterbox qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of Chatterbox have been included in the consolidated financial statements of the Company from the date of acquisition, which is the date the Company obtained control.

Due to the complexity associated with the valuation process and short period of time between the acquisition date and the period end, the identification and measurement of the assets acquired, and liabilities assumed, as well as the measurement contingent consideration is provisional and subject to adjustment on completion of the valuation process and analysis of resulting tax effects. Management will finalize the accounting for the acquisition, specifically the intangible assets, contingent consideration, related tax effects, and the final settlement of working capital, no later than one year from the date of the acquisition and will reflect these adjustments retrospectively as required under IFRS 3. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact on the Company's future financial position and results of operations.

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

September 30, 2021 and 2020

The allocation of the total consideration to the fair value of the identifiable assets acquired and liabilities assumed as at the date of the acquisition was as follows:

	\$
Cash and cash equivalents	747,785
Trade receivables	256,259
Other receivables	50,718
Customer relationships	298,438
Brand name	619,802
Goodwill	3,231,125
Trade and other payables	(260,919)
Deferred tax liabilities	(232,145)
	4,711,063

Goodwill arising from the acquisition reflects the benefits attributable to synergies, revenue growth and future market development. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets. Goodwill is not deductible for income tax purposes.

All transaction costs associated with the acquisition have been expensed as incurred, in the amount of \$187,148.

The contingent consideration is classified as Level 3 in the fair value hierarchy. The contingent consideration fair value is based on the present value of the estimated likely obligation. As at September 30, 2021, the fair value of the contingent consideration was \$2,260,780. The Company uses a scenario-based model to independently assess individual earnouts and calculate the fair value of the earnout based on probabilities of success attributable to each individual scenario. The Company then applies a discount based on the time value of money. A 10% change in the discount rate used in the valuation of the contingent consideration as at September 30, 2021, would change the valuation of the liability by approximately \$200,000.

The Non-Controlling Interest ("NCI") on the transaction meets the definition of a liability as the Company is obligated to purchase the remaining 3% of common shares. The amount payable is included in considered contingent consideration and is measured at fair valued through profit or loss.

The contingent consideration as at September 30, 2021:

	\$
As at June 30, 2020	—
Acquisition - Chatterbox	2,186,960
Effects of foreign exchange	10,546
Balance – June 30, 2021	2,197,506
Effects of foreign exchange	63,274
Balance – September 30, 2021	2,260,780
Current	787,538
Non-current	1,473,242

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

September 30, 2021 and 2020

5. OTHER RECEIVABLES

The Company's other receivables are as follows:

	September 30, 2021	June 30, 2021
	\$	\$
Input tax receivable	820,676	226,327
Unbilled revenue	711,725	—
Other	11,140	106,242
	1,543,541	332,569

6. PREPAID EXPENSES

The Company's prepaid expenses are as follows:

	September 30, 2021	June 30, 2021
	\$	\$
Advertising and marketing	2,126,359	—
Content and production	224,709	40,075
Insurance	19,908	5,669
Channel delivery	74,676	—
Other	38,132	104,597
	2,483,784	150,341

7. RIGHT-OF-USE ASSETS

The Company has three office leases with maturities ranging between 2 to 4 years.

The Company's right-of-use assets are as follows:

	\$
Balance – June 30, 2020	592,357
Lease modification	8,067
Lease termination	(276,106)
Additions	213,062
Depreciation	(144,848)
Effects of foreign exchange	(41,232)
Balance – June 30, 2021	351,300
Additions	19,744
Depreciation	(30,751)
Effects of foreign exchange	10,356
Balance – September 30, 2021	350,649

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

September 30, 2021 and 2020

8. LEASE LIABILITIES

The Company's lease liabilities are as follows:

	\$
Balance – June 30, 2020	615,676
Lease modification	8,067
Lease termination	(295,403)
Additions	213,062
Add: Interest expense	44,874
Less: Lease payments	(150,208)
Effects of foreign exchange	(45,551)
Balance – June 30, 2021	390,517
Additions	19,744
Add: Interest expense	10,346
Less: Lease payments	(36,538)
Effects of foreign exchange	11,500
Balance – September 30, 2021	395,569
Current	151,922
Non-current	243,647

For the three months ended September 30, 2021, the Company made lease payments of \$nil related to short-term leases (2020 – \$8,646).

9. BORROWINGS

	September 30, 2021	June 30, 2021
	\$	\$
Current		
Loan [i]	11,176	10,872
	11,176	10,872
Non-current		
Loan [i]	53,366	52,008
	53,366	52,008
Total	64,542	62,880

[i] 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 CONSOLIDATED FINANCIAL STATEMENTS
[unaudited] [expressed in Canadian dollars, unless otherwise noted]

September 30, 2021 and 2020

The balance outstanding at September 30, 2021 is as follows:

	\$
Balance – June 30, 2020	58,440
Interest and accretion expense	10,334
Payments	(937)
Effects of foreign exchange	(4,957)
Balance – June 30, 2021	62,880
Interest and accretion expense	2,763
Payments	(2,763)
Effects of foreign exchange	1,662
Balance – September 30, 2021	64,542
Current	11,176
Non-Current	53,366

10. INTANGIBLE ASSETS

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

	Brand QYOU	Capitalized development	Brand Chatterbox	Customer relationships	Total
	\$	\$	\$	\$	\$
As at June 30, 2020	90,474	993,870	—	—	1,084,344
Acquisition - Chatterbox	—	—	619,802	298,438	918,240
Effects of foreign exchange	(3,583)	—	2,989	1,439	845
As at June 30, 2021	86,891	993,870	622,791	299,877	2,003,429
Effects of foreign exchange	603	—	17,933	8,634	27,170
As at September 30, 2021	87,494	993,870	640,724	308,511	2,030,599

	Brand QYOU	Capitalized development	Brand Chatterbox	Customer relationships	Total
	\$	\$	\$	\$	\$
Accumulated amortization					
As at June 30, 2020	—	993,870	—	—	993,870
Amortization	—	—	—	2,429	2,429
Effects of foreign exchange	—	—	—	(102)	(102)
As at June 30, 2021	—	993,870	—	2,327	996,197
Amortization	—	—	—	12,790	12,790
Effects of foreign exchange	—	—	—	2,063	2,063
As at September 30, 2021	—	993,870	—	17,180	1,011,050

	Brand QYOU	Capitalized development	Brand Chatterbox	Customer relationships	Total
	\$	\$	\$	\$	\$
Net book value					
As at June 30, 2021	86,891	—	622,791	297,550	1,007,232
As at September 30, 2021	87,494	—	640,724	291,331	1,019,549

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

September 30, 2021 and 2020

11. GOODWILL

A summary of the Company's goodwill is as follows:

	\$
As at June 30, 2020	—
Acquisition - Chatterbox	3,231,125
Effects of foreign exchange	15,971
Balance – June 30, 2021	3,247,096
Effects of foreign exchange	137,886
Balance – September 30, 2021	3,384,982

12. SHARE CAPITAL

	Common shares #	Share capital \$	Warrants #	Warrants \$	Compensation options #	Compensation options amount within share-based payment reserve \$
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 [a]	60,666,399	1,360,750	30,333,200	208,721	5,549,973	89,386
Compensation options and warrants exercised [b]	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
Balance, June 30, 2021	381,437,719	41,450,812	45,031,634	3,763,942	5,022,282	1,459,071
Issuance of common shares, net of issuance costs [c]	7,896,875	2,275,423	—	—	—	—
Compensation options and warrants exercised [d]	10,143,300	1,024,044	(9,047,100)	(63,259)	(730,800)	(10,495)
RSUs redeemed [e]	1,216,669	60,833	—	—	—	—
Share options exercised [f]	100,002	12,234	—	—	—	—
Compensation options and warrants expired	—	—	(14,250)	—	—	—
Balance, September 30, 2021	400,794,565	44,823,346	35,970,284	3,700,683	4,291,482	1,448,576

[a] During the three months ended September 30, 2020, the Company completed the issuance of 60,666,399 units as part of a private placement at a price of \$0.03 per unit. The total gross proceeds from the issuance were \$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 consisted of \$161,145 in cash and issuance of 5,549,973 compensation options to the agents in connection with the transaction. 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%.

[b] 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.

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

September 30, 2021 and 2020

[c] During the three months ended September 30, 2021, the Company completed the issuance of 7,896,875 of common shares as part of a private placement at a price of \$0.32 per share. The total gross proceeds from the issuance were \$2,527,000. Total transaction costs consisted of \$251,577 in cash.

[d] During the three months ended September 30, 2021, 730,800 compensation options were exercised for proceeds of \$36,540. Upon exercise of the compensation options the Company issued 730,800 common shares and 365,400 10 Cent Warrants.

During the three months ended September 30, 2021, 8,862,500 10 Cent Warrants and 550,000 5 Cent Warrants were exercised for proceeds of \$913,750. Upon the exercise of the warrants the Company issued 9,412,500 common shares.

[e] During the three months ended September 30, 2021, 1,216,669 restricted share units were redeemed for 1,216,669 common shares.

[f] During the three months ended September 30, 2021, 100,002 share options were exercised for proceeds of \$7,396 by related parties. Upon the exercise of the share options 100,002 common shares were issued.

The following is a summary of the Company's warrants outstanding as at September 30, 2021:

Expiry date	Exercise price \$	Number Outstanding #
February 11, 2022	0.08	2,249,990
June 30, 2022	0.05	13,159,514
February 25, 2023	0.45	20,560,780
	0.28	35,970,284

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

Expiry date	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

13. NON-CONTROLLING INTEREST

The Company has an 88% (2020 – 88%) ownership interest in QYOU Media India Private Ltd. ("QYOU India").

Reconciliation of non-controlling interest is as follows:

	\$
Balance — June 30, 2020	(210,087)
Share of net loss for the period	(341,719)
Balance — June 30, 2021	(551,806)
Share of net loss for the period	(99,013)
Balance — September 30, 2021	(650,819)

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

September 30, 2021 and 2020

The following is the summary of QYOU India's stand-alone financial results for the three months ended September 30, 2021 and 2020:

	2021	2020
	\$	\$
Current assets	5,753,450	18,900
Non-current assets	136,874	24,823
Current liabilities	727,176	291,497
Non-Current liabilities	—	—
Revenue	2,025,639	26,860
Net loss	825,111	428,149

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:

Compensation expense for the Company's key management personnel for the three months ended September 30, 2021 and 2020 is as follows:

	2021	2020
	\$	\$
Salaries, benefits and consulting fees	391,237	270,540
Share-based payments	795,813	131,204
	1,187,050	401,744

During the three months ended September 30, 2021, 1,216,669 restricted share units were redeemed for 1,216,669 common shares by related parties.

During the three months ended September 30, 2021, 100,002 share options were exercised for proceeds of \$7,396 by related parties. Upon the exercise of the share options 100,002 common shares were issued.

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

September 30, 2021 and 2020

16. SEGMENT INFORMATION

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

The Company operates in 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 period ended September 30, 2021					
	Canada	USA	Ireland	India	Intercompany	Total
Revenue	—	1,414,142	4,948	3,306,373	—	4,725,463
Current assets	38,672,318	9,456,899	18,022,161	7,568,038	(58,911,900)	14,807,516
Non-current assets	344,452	40,933	87,494	4,466,028	—	4,938,907

	As at and for the period ended September 30, 2020					
	Canada	USA	Ireland	India	Intercompany	Total
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 September 30, 2021, two (2020 – one) customers represented 10% or more of total revenue.

	September 30, 2021	September 30, 2020
	%	%
Customer 1	14	68
Customer 2	11	—
Percentage of total revenue	25	68

17. SUBSEQUENT EVENTS

On November 22, 2021, 3,150,000 share options were granted to certain employees, officers and consultants of the Company pursuant to the Company's share option plan. The share options are exercisable at a price \$0.275 per share option, vest on a monthly basis for a period of 4 years and expire 5 years from the grant date. Of the total share options granted, 1,700,000 were to related parties.

On November 22, 2021, 275,000 share options were granted to a consultant of the Company pursuant to the Company's share option plan. The share options are exercisable at a price \$0.275 per share option, vest 25% at the date of issuance followed by 22,916 a month for eight months and 22,922 in the ninth month. The share options expire 5 years from the grant date.

On November 22, 2021, 3,150,000 RSUs were granted to certain employees, officers and consultants of the Company, vesting annually over three years from the grant date. Of the total RSUs granted, 1,900,000 were to related parties.

From October 29, 2021 to November 18, 2021, 150,583 compensation options and 320,000 warrants were exercised for total proceeds of \$26,329. Resulting in the issuance of 470,583 common shares and 110,291 warrants.

From October 1, 2021 to November 3, 2021, 25,000 share options were exercised for total proceeds of \$5,625. Resulting in the issuance of 25,000 common shares to related parties.