QYOU MEDIA INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, expressed in Canadian dollars)

Three and nine months ended September 30, 2016, three months ended September 30, 2015
and the period from June 14, 2015 to September 30, 2015

QYOU MEDIA INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited, expressed in Canadian dollars)

	Note	September 30, 2016	December 31, 2015
ASSETS			
CURRENT ASSETS			
Cash		$ 1,256,050	$ 5,232,367
Accounts receivable, net of allowance for doubtful accounts of $0 (2015: $0)		221,015	754,043
Other receivable		156,531	177,208
Prepaid expenses		5,462	6,958
TOTAL CURRENT ASSETS		1,639,058	6,170,576
PROPERTY AND EQUIPMENT, NET	4	34,824	10,828
APPLICATION DEVELOPMENT COSTS	5 & 6	562,391	206,845
Other Assets		7,616	-
INTANGIBLE ASSETS	6	86,847	81,454
TOTAL ASSETS		$ 2,330,736	$ 6,469,703
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		$ 522,074	$ 573,223
Deferred revenue		327,297	-
Accrued expenses		424,365	343,494
TOTAL CURRENT LIABILITIES		1,273,736	916,717
COMMITMENTS AND CONTINGENCIES	10		
SHAREHOLDERS' EQUITY			
Share Capital	7	6,943,720	6,943,720
Warrants	8	2,850,319	2,789,194
Contributed surplus		23,957	85,082
Foreign currency translation		26,803	(128,635)
Accumulated deficit		(8,787,799)	(4,136,375)
TOTAL SHAREHOLDERS' EQUITY		1,057,000	5,552,986
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$ 2,330,736	$ 6,469,703

QYOU MEDIA INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS COMPREHENSIVE LOSS
(Unaudited, expressed in Canadian dollars)

	Note	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	June 14 to September 30, 2015
REVENUES					
Content and programming		$ 478,088	$ -	$ 478,088	$ -
Subscriber fees		418,969	337,322	1,191,267	337,322
		897,057	337,322	1,669,355	337,322
OPERATING EXPENSES					
Content and production costs		778,027	1,148,844	2,738,426	1,148,844
Sales and marketing		286,392	363,668	1,162,437	363,668
Salaries and benefits		292,531	104,314	924,926	104,314
Legal and consulting		156,715	357,722	611,275	357,722
General and administrative		140,567	208,839	722,046	208,839
Foreign exchange loss (gain)		(117,677)	(47,545)	160,117	(47,545)
Interest and other expense (income)		(5,943)	82	(5,943)	82
Depreciation		3,825	131	9,679	131
TOTAL OPERATING EXPENSES		1,534,437	2,136,055	6,322,963	2,136,055
NET LOSS		(637,380)	(1,798,733)	(4,653,608)	(1,798,733)
OTHER COMPREHENSIVE INCOME (LOSS)					
Exchange differences on translation of foreign operations		132,265	(43,701)	155,438	(43,701)
TOTAL COMPREHENSIVE INCOME (LOSS)		132,265	(43,701)	155,438	(43,701)
NET COMPREHENSIVE LOSS		$ (505,115)	$ (1,842,434)	$ (4,498,170)	$ (1,842,434)

See accompanying notes to the interim condensed consolidated financial statements

Weighted average number of common shares outstanding, basic and diluted	51,706,924	41,173,601	51,706,924	41,173,601
Loss per share, basic and diluted	$ (0.01)	$ (0.04)	$ (0.09)	$ (0.04)

QYOU MEDIA INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited, expressed in Canadian Dollars)

	Number of common shares	Share capital	Warrants	Contributed Surplus	Foreign currency translation	Deficit	Total
BALANCE, JUNE 14, 2015	-	-	-	-	-	-	-
Issued	27,000,000	25,000	-	-	-	-	**25,000**
Issued - Private placement - July 15, 2015	21,027,200	10,513,600	-	-	-	-	**10,513,600**
Conversion of promissory note	150,164	75,082	-	-	-	-	**75,082**
Costs of issuance of private placement	-	(795,760)	-	-	-	-	**(795,760)**
Broker options issued	-	(308,940)	308,940	-	-	-	-
Allocated to warrants	-	(2,565,332)	2,565,332	-	-	-	-
Consultant warrants issued	-	-	4	-	-	-	**4**
Exchange difference on translation of foreign operations	-	-	-	-	(43,701)	-	**(43,701)**
Net loss	-	-	-	-	-	(1,798,733)	**(1,798,733)**
BALANCE, SEPTEMBER 30, 2015	**48,177,364**	**6,943,650**	**2,874,276**	-	**(43,701)**	**(1,798,733)**	7,975,492
BALANCE, JANUARY 1, 2016	50,295,100	6,943,720	2,789,194	85,082	(128,635)	(4,134,191)	**5,555,170**
Penalty shares and warrants issued	2,117,736	-	61,125	(61,125)	-	-	-
Exchange difference on translation of foreign operations	-	-	-	-	155,438	-	**155,438**
Net loss	-	-	-	-	-	(4,653,608)	**(4,653,608)**
BALANCE, SEPTEMBER 30, 2016	**52,412,836**	**6,943,720**	**2,850,319**	**23,957**	**26,803**	**(8,787,799)**	**1,057,000**

See accompanying notes to the interim condsend consolidated financial statements

QYOU MEDIA INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, expressed in Canadian Dollars)

	Note	Nine months ended September 30, 2016	June 14 to September 30, 2015
OPERATING ACTIVITIES			
Net loss		$ (4,653,608)	$ (1,798,733)
NON-CASH ADJUSTMENTS			
Foreign exchange loss (gain)		160,117	(47,545)
Depreciation		9,679	131
Stock based compensation		-	86
Working capital changes			
Account payables and accruals		(67,484)	160,173
Accounts receivable		471,626	(314,428)
Prepaid expenses		1,766	(31,132)
Accrued revenues		76,531	(95,584)
Deferred Revenue		327,297	
CASH USED IN OPERATING ACTIVITIES		(3,674,076)	(2,127,032)
INVESTING ACTIVITIES			
Purchase of equipment		(33,675)	(4,730)
Purchase of assets from Black Forest Production Services		-	(25,000)
Application production costs		(261,397)	(101,371)
CASH USED IN INVESTING ACTIVITIES		(295,072)	(131,101)
FINANCING ACTIVITIES			
Share issuance, net of costs		-	9,492,910
CASH FROM FINANCING ACTIVITIES		-	9,492,910
Translation effect on cash		(7,170)	17,955
NET CHANGE IN CASH		(3,976,318)	7,252,732
Cash, beginning of period		5,232,367	-
CASH, END OF PERIOD		1,256,049	7,252,732

See accompanying notes to the interim condensed consolidated financial statements

1. BUSINESS AND ORGANIZATION

QYOU Media Inc. ("QYOU Media" or the "Company") was incorporated in Ontario, Canada on June 14, 2015. The Company focuses on the curation and programming of short-form video content from the Video-Everywhere age. The Company finds and licenses videos from around the world in categories ranging from factual to viral and everything in between; packaging them for linear and on-demand TV and video channels, playlist-driven mobile apps, custom shows and influencer marketing campaigns. Using sub-contracted production staff, production facilities and third-party contractors, the Company identifies sources for content material, records original video programming, edits content and prepares final video product for distribution.

The interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2016 and the three months ended September 30, 2015 and the period from June 14, 2015 to September 30, 2015 were authorized for issue in accordance with a resolution of the Company's Board of Directors on □.

2. BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board.

The accompanying interim condensed consolidated financial statements include the accounts of QYOU Media and its wholly-owned subsidiaries, Qyou Media Ltd., Dublin, Qyou International Ltd., Dublin and Qyou USA Inc., Delaware. All significant intercompany balances and transactions have been eliminated on consolidation. All amounts included within these interim condensed consolidated financial statements are in Canadian dollars unless otherwise noted.

The interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

Going concern uncertainty

These interim condensed consolidated 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 interim condensed consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at September 30, 2016, the Company has not yet achieved profitable operations, and has an accumulated deficit of $8.6 million. Whether, and when, the Company can attain profitability and positive cash flows from operations has material uncertainty, which casts 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, approval by regulatory bodies, and adverse results from operations. The Company believes it will be able to acquire sufficient funds to cover planned operations through the next twelve-month period from anticipated revenue growth during fiscal 2017 and by securing additional financing through additional credit access from its commercial bank, plus other financing alternatives and strategic options currently being explored. The outcome of these matters cannot be predicted at this time.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The same accounting policies and methods of computation are followed in the interim condensed consolidated financial statements as compared with the Company's most recent audited consolidated financial statements, including the notes, for the year ended December 31, 2015.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of QYOU Media Inc and its wholly-owned subsidiaries, Qyou Media Ltd., Dublin, Qyou International Ltd., Dublin and Qyou USA Inc., Delaware. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenue and expenses. Such estimates include the collectability of accounts receivable, the valuation of long-lived assets, legal contingencies, indemnifications, estimations of stock-based compensation, and assumptions used in the calculation of income taxes and related valuation allowance, among others.

All of the estimates that are employed are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes, if any, in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Cash and Cash Equivalents

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

Accounts Receivable

The Company extends credit to its customers. These customers have specific contracts that detail the payments expected under their contract terms. Accounts receivable are customer obligations due under these contract terms. Management reviews accounts receivable 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.

Property and Equipment

Property and equipment is stated at historical cost, net of accumulated depreciation. Depreciation on equipment 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 as follows:

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

Application Development Costs

Application development costs, including costs associated with coding and testing of project related software and direct third party costs are capitalized when the technological feasibility of the project is established. Capitalized costs are amortized commencing in the period of the product's commercial release.

Foreign currency

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

The consolidated 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 Inc.	Canada	Canadian Dollar
Qyou Media Ltd.	Ireland	Euro
Qyou International Ltd.	Ireland	Euro
Qyou USA Inc.	USA	US Dollar

Transactions

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Translation

The assets and liabilities of foreign operations are translated into Canadian dollars at period-end exchange rates and their revenue and expense items are translated at exchange rates prevailing at the date of the transactions. The resulting exchange differences are recognized in other comprehensive income.

Financial instruments

Financial instruments are required to be classified as one of the following: held-to-maturity; loans and receivables, fair value through profit or loss ('FVTPL'); available-for-sale or other financial liabilities.

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

Assets / liabilities	Category	Measurement
Cash and cash equivalents	FVTPL	Fair value
Trade receivables	Loans and receivables	Amortized cost
Advances and deposits	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

Financial assets

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

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

Financial liabilities

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

Impairment of financial assets

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

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

Fair value hierarchy

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

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

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

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

Intangible Assets

Amortization – The Company measure intangible assets that we acquire at fair value upon initial recognition and record amortization 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).

Indefinite useful lives – The Company do not amortize intangible assets with indefinite lives because there is no foreseeable limit to the period that these assets are expected to generate net cash inflows for us. We use judgment to determine the indefinite life 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 amortize intangible assets with finite useful lives into depreciation and amortization in the Consolidated Statements of Comprehensive Loss on a straight-line basis over their estimated useful lives. We review their useful lives, residual values and the amortization methods at least once a year.

Impairment

Indefinite-life intangible assets and goodwill: We test indefinite-life intangible assets and goodwill for impairment once a year, or more frequently if we identify indicators of impairment. Goodwill is allocated to cash generating units (or groups of cash generating units) based on the level at which management monitors goodwill, which cannot be higher than an operating segment. The allocation involves considerable management judgment, and is made to cash generating units (or groups of cash generating units) that are expected to benefit from the synergies of the business combination from which the goodwill arose. A cash generating unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or groups of assets.

Revenue Recognition

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

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

Cost of Production

Costs of productions incurred by the Company are capitalized on the balance sheet as Production Development and are amortized to cost of revenue using the individual-forecast-computation method, which amortizes such costs in the same ratio that current period actual revenue bears to estimated remaining unrecognized ultimate revenue. Capitalized costs include direct costs of the productions and overhead costs attributed to production activities. The Company will record a write-down of costs included in productions-in-progress when there is an indication that the fair value of the productions are less than their unamortized costs.

Income Taxes

Income tax expense includes both current and deferred taxes. We use judgment to interpret tax rules and regulations to calculate the expense recorded each period. We recognize income tax expense in net income unless it relates to an item recognized directly in equity or other comprehensive income.

Current tax expense is tax we expect to pay or receive based on our taxable income or loss during the year. We calculate the current tax expense using tax rates enacted or substantively enacted as at the reporting date, and including any adjustment to taxes payable or receivable 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 Balance Sheet. We calculate 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.

We recognize 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. We use judgment to evaluate whether we can recover a deferred tax asset based on our assessment of existing tax laws, estimates of future profitability and tax planning strategies.

We rely on estimates and assumptions when determining the amount of current and deferred tax, 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 our judgment on the adequacy of existing tax liabilities, these changes would affect the income tax expense in the period that we make this determination.

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.

FUTURE ACCOUNTING POLICY CHANGES

Standards issued but not yet effective up to the date of issuance of the Company's unaudited interim condensed consolidated financial statements are listed below. This listing is of standards issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its interim condensed consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the interim condensed consolidated financial statements.

IFRS 16, Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019 and is to be applied retrospectively. The Company has not yet determined the impact on its interim condensed consolidated financial statements.

IAS 7, Statement of Cash Flows ("IAS 7")

In January 2016, the IASB issued an amendment to IAS 7 in order to clarify and improve information provided to users of financial statements about an entity's financing activities. This amendment is effective for annual periods beginning on or after January 1, 2017, and is to be applied prospectively. Earlier application is permitted. The Company has not yet assessed the impact this standard will have on the interim condensed consolidated financial statements.

3. SEASONALITY AND VARIABILITY OF RESULTS

The Company's revenue, operating expenses and loss from operations have fluctuated from quarter to quarter as a result of the timing of new customer designs incorporating its products entering production, fluctuating demand for customers' products, and the timing of operating expenditures. It is expected that variations will continue.

(Unaudited, all amounts expressed in Canadian dollars unless specified)

4. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	Computers and equipment $	Furniture and fixtures $	Total $
Cost			
Balance, as at December 31, 2015	10,784	1,024	11,808
Acquisitions	33,675	-	33,675
Balance, as at September 30, 2016	**44,459**	**1,024**	**45,483**
Accumulated depreciation			
Balance, as at December 31, 2015	923	57	980
Depreciation for the period	9,421	258	9,679
Balance, as at September 30, 2016	**10,344**	**315**	**10,659**
Net book value	**34,115**	**709**	**34,824**

5. APPLICATION DEVELOPMENT COSTS

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

6. INTANGIBLE ASSETS

On July 15, 2015, the Company acquired certain assets from Black Forest Production Services, USA, 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 was allocated to the 'QYOU' brand, and is revalued at each reporting date based on changes in foreign exchange rates.

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

(Unaudited, all amounts expressed in Canadian dollars unless specified)

Intangible assets and capitalized application development costs are comprised of the following:

	Intangible Assets $	Application Development Costs $	Total $
Cost			
Balance, as at December 31, 2015	81,454	206,845	288,299
Acquisitions and development	-	362,846	261,397
Impact of foreign exchange	5,393	(7,301)	99,541
Balance, as at September 30, 2016	**86,847**	**562,390**	**649,237**

The Company's intangible assets relates to the acquired QYOU brand and the Company has determined the useful life of this intangible asset to be indefinite.

7. SHARE CAPITAL

Common shares issued	#	$
Shares issued in private placement on June 14, 2015 [a]	27,000,000	25,000
Shares issued on private placement [b]	21,027,200	10,513,600
Shares issued to settle promissory note [b]	150,164	75,082
Additional units issued [c]	2,117,736	-
Share issuance costs [d]	-	(1,104,630)
Allocated to warrants	-	(2,565,332)
Balance, December 31, 2015	50,295,100	6,943,720
Additional units issued [e]	2,117,736	-
	52,412,836	**6,943,720**

[a] On June 14, 2015, the Company was incorporated with an initial investment of $25,000 and issued 27,000,000 common shares to private investors.

[b] On July 14, 2015, and a subsequent closing on September 29, 2015, the Company closed a partially brokered, private placement of 21,027,200 units at $0.50 per unit for gross proceeds of $10,513,600, each unit consisting of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable for one common share at an exercise price of $0.75 during the period ending January 15, 2018. The fair value of the warrants, determined using the Black-Scholes Option pricing model, has been recorded as a separate component of equity. In connection with this transaction, promissory notes with a remaining amount owing of $150,164 were converted to common shares at $0.5 per common share.

[c] Under the terms of the private placement on July 14, 2015, the Company is required to issue an additional non-transferable 0.1 unit for each unit issued if the Company does not achieve a 'liquidity event' by November 30, 2015 and a further non-transferable 0.1 unit if the Company does not achieve a liquidity event by March 31, 2016. Each such additional unit comprises one common share and one-half share purchase warrant. Each whole warrant is exercisable for one common share at an exercise price of $0.75 during the period ending

(Unaudited, all amounts expressed in Canadian dollars unless specified)

January 15, 2018. The Company remained as a private company as of November 30, 2015 and March 31, 2016. Accordingly, 2,117,736 additional shares were issued to the subscribers for no consideration on December 1, 2015 and 2,117,736 additional shares were issued to the subscribers for no consideration on April 1, 2016.

[d] The Company paid broker fees of $795,690 for services rendered for the issuance of the units. In addition, the Company issued broker options to acquire 1,182,190 units exercisable at $0.50 per unit during the period ending July 15, 2017. The fair value of $308,940 of the options for the broker units, determined using the Black-Scholes option pricing model, has been recorded as a reduction of share capital and classified as a separate component of shareholders' equity in contributed surplus.

[e] The Company remained as a private company as at November 30, 2015 and March 31, 2016. Accordingly, 2,117,736 additional shares were issued to the subscribers for no consideration on April 1, 2016.

8. WARRANTS

A summary of the Company's outstanding unit purchase and share purchase warrants is presented below:

	Number of warrants outstanding #	Weighted average exercise price $	Amount $
Outstanding, beginning of period	-	-	-
Warrants issued to consultants [a]	1,375,876	0.50	4
Issued on private placement [b]	10,588,682	0.75	2,565,332
Additional warrants issued [c]	1,058,868	0.75	223,858
Outstanding, December 31, 2015	13,023,426	0.72	2,789,194
Additional warrants issued [d]	1,058,868	0.75	61,125
Outstanding, September 30, 2016	**14,082,294**	**0.73**	**2,850,319**

The fair value of the warrants and units when issued were determined based on the Black-Scholes option pricing model using the following inputs:

	Consultant warrants	Private placement	Additional warrants	Additional warrants
Risk-free interest rate	0.45%	0.45%	0.45%	0.45%
Expected volatility	100%	100%	100%	100%
Expected dividend yield	Nil	Nil	Nil	Nil
Share price	$0.0009	$0.50	$0.50	$0.25
Exercise price	$0.50	$0.75	$0.75	$0.75
Term to expiry	3.5 years	2.5 years	2.0 years	1.8 years

[a] On July 14, 2015, prior to the close of the private placement, the Company issued 1,375,876 warrants to consultants for advisory services. These warrants are exercisable for one common share each at an exercise price of $0.50 during the period ending December 31, 2018. The grant date fair value of these warrants was determined to be $4.

[b] On July 15, 2015, and at the time of the second closing, the Company issued 10,588,682 warrants as described above. The grant date fair value of these warrants was determined to be $2,565,332.

[c] Under the terms of the private placement on July 14, 2015, the Company is required to issue an additional non-transferable 0.1 unit for each unit issued if the Company does not achieve a 'liquidity event' by November 30, 2015 and a further non-transferable 0.1 unit if the Company does not achieve a liquidity event by March 31, 2016. Each such additional unit comprises one common share and one-half share purchase warrant. Each whole warrant is exercisable for one common share at an exercise price of $0.75 during the period ending January 15, 2018. The Company remained as a private company as at November 30, 2015 and 1,058,868 share purchase warrants were issued to the subscribers for no consideration on December 31, 2015. The fair value of these warrants on the grant date was determined to be $223,858.

[d] The Company remained as a private company as of March 31, 2016 and an additional 1,058,868 share purchase warrants were issued to the subscribers for no consideration on April 1, 2016. The fair value of these warrants on the grant date was determined to be $61,125.

9. RELATED PARTY TRANSACTIONS

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

- The Corporation paid nil consulting fees to a director for services rendered in the three-and nine-month periods ended September 30, 2016 (2015: $285,000)
- Black Forest Production Services ('BFPS') and the Corporation are considered to be related party by way of common share ownership and whereby an officer of the Corporation is also a director of BFPS.
- In 2015, the Corporation acquired the 'QYOU' brand and certain other assets and liabilities for a net payment of $25,000 and assumption of liabilities totaling $56,454 from BFPS.
- In addition, BFPS provides outsourced production services, on a cost plus basis, for the Corporation's videos under the terms of a production services contract. Total production costs incurred by the Corporation that was provided by BFPS for the three month-and nine-months ended September 30, 2016 was $568,265 and $2,149,084, respectively (three months ended September 30, 2015 and period from June 14, 2015 to September 30, 2015 – $996,542).
- As at September 30, 2016, total amounts due to BFPS was $54,100 (2015: $114,117). The

(Unaudited, all amounts expressed in Canadian dollars unless specified)

Corporation's payment terms to BFPS is due upon receipt and is non-interest bearing.

- During the three and nine months ended September 30, 2016, BFPS paid certain operating expenses, which include salaries for certain employees as well as related expenses, for the Corporation in the amount of $318,902 (2015: $584,708) and $1,013,460 (Period from June 14, 2015 to September 30, 2015: $584,708) respectively.
- During the three and nine months ended September 30, 2016, the Company incurred $29,040 (2015: $11,347) and $99,186 (2015: Period from June 14, 2015 to September 30, 2015: $11,347) of expenses for marketing services respectively, with an entity that is also a shareholder of the Company.

10. COMMITMENTS AND CONTINGENCIES

Production Services Contract

The Company has entered into a non-exclusive contract with BFPS whereby BFPS will provide video and musical content in the appropriate format for sale and distribution by QYou Limited. Invoicing for these services is rendered on a monthly basis on a direct cost plus basis.

Legal Contingencies

Periodically the Company may become involved in certain legal actions and claims arising in the ordinary course of business. There were no legal actions or claims reported at September 30, 2016.

11. SEGMENT INFORMATION

The Company operates in a single segment, being the distribution of curated media content on pay television platforms.

The Company operates in three geographical areas, being Canada, USA and Ireland. Key assets and liabilities by geography are presented below:

	Three months ended September 30,		**Nine months ended September 30, 2016 and period June 14, 2015 to September 30,**	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Revenues				
Canada	-	-	-	-
USA	**138,907**	-	**138,907**	-
Ireland	**758,150**	337,322	**1,530,448**	337,322
Inter-company	-	-	-	-
	897,057	337,322	**1,669,355**	337,322

(Unaudited, all amounts expressed in Canadian dollars unless specified)

	Canada $	USA $	Ireland $	Total $
Current assets				
December 31, 2015	5,179,128	249,847	741,601	6,170,576
September 30, 2016	**879,264**	**533,082**	**226,712**	**1,639,058**
Non-current assets				
December 31, 2015	-	8,010	291,117	299,127
September 30, 2016	**-**	**5,796**	**685,682**	**691,678**

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

	September 30, 2016	September 30, 2015
Customer A	22%	24%
Customer B	20%	-
Customer C	16%	40%
Customer D	13%	-
Customer E	-	33%

The following table represents the customers that represent 10% or more of total accounts receivable:

	September 30, 2016	September 30, 2015
Customer A	22%	24%
Customer B	20%	-
Customer C	16%	40%
Customer D	13%	-
Customer E	-	33%

12. SUBSEQUENT EVENT

Subsequent to September 30, 2016, the Company entered into an understanding with Galleria Opportunities Ltd. ("Galleria"), Galleria Subco Inc. ("Galleria Subco") upon the terms and subject to the conditions set out below, the parties hereto intend to effect a business combination pursuant to a statutory plan of arrangement under the *Business Corporations Act* (Ontario) on the basis of the following:

The obligations of the parties to consummate the Arrangement is subject to the satisfaction or waiver, on or before the effective date of the reverse takeover ("RTO") or such other time specified, of the following conditions:

a) QYOU Media, Galleria, Galleria Subco and their respective affiliates entering into the Amalgamation Agreement and any other documents, agreements or instruments required in connection with the RTO (the "Transaction Documents"), which are not inconsistent with the terms and conditions set forth in the Amalgamation Agreement;
b) receipt of all required approvals and consents for the RTO and all related matters and the Transaction Documents, including without limitation:
   i) the approval of the TSX Venture Exchange ;
   ii) the approval of the QYOU Shareholders and Galleria Subco of the RTO and related matters required in connection with the RTO; and
   iii) the approval of any third parties from whom QYOU Media, Galleria or Galleria Subco must obtain consent in connection with the consummation of the RTO, the failure of which to obtain would result in either the RTO not being able to be consummated or have a material adverse effect on the Resulting Issuer;
c) upon completion of the RTO, the Resulting Issuer meeting the applicable Minimum Listing Requirements of the TSXV as an Industrial Issuer (pursuant to Policy 2.1 – Initial Listing Requirements of the TSXV Corporate Finance Manual), including, without limitation, the public float requirements;
d) immediately prior to the Closing, each of the parties required by the TSXV having entered into an escrow agreement (such parties and such terms and conditions being reflected in the Escrow Agreement) upon the terms and conditions imposed pursuant to the policies of the TSXV;
e) there being no prohibition at law against the completion of the RTO; and
f) the Arrangement not having been terminated in accordance with its terms.