QYOU Media Inc. (formerly Galleria Opportunities Ltd.)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(expressed in Canadian dollars)

Three months ended September 30, 2017 and September 30, 2016

QYOU Media Inc. (Formerly Galleria Oportunities Ltd.)
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian Dollars)

	Note	September 30, 2017	June 30, 2017	September 30, 2016	June 30, 2016
ASSETS					
CURRENT ASSETS					
Cash		1,982,841	2,582,966.00	$ 1,256,050	1,802,694
Accounts receivable, net of allowance for doubtful accounts of $0 (September 30, 2016: $0)		1,356,141	985,245.00	221,015	284,918
Other receivable		550,137	494,139.00	156,531	159,772
Prepaid expenses		11,112	11,357.00	5,462	2,000
TOTAL CURRENT ASSETS		3,900,231	4,073,707	1,639,058	2,249,384
PROPERTY AND EQUIPMENT, NET	4	39,945	46,422	34,824	38,650
APPLICATION DEVELOPMENT COSTS	5	831,200	657,797	562,391	457,685
SECURITY DEPOSIT		7,619	7,702	7,616	-
INTANGIBLE ASSETS	5	86,879	87,835	86,847	84,852
TOTAL ASSETS		4,865,874	4,873,463	2,330,736	2,830,571
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable		$ 1,037,449	668,389	$ 522,074	725,138
Deferred revenue				327,297	
Accrued expenses		590,607	521,817	424,365	277,051
TOTAL CURRENT LIABILITIES		1,628,056	1,190,206	1,273,736	1,002,189
COMMITMENTS AND CONTINGENCIES	11				
SHAREHOLDERS' EQUITY					
Share Capital	6	14,391,388	13,818,646	6,943,720	6,943,720
Warrants	7	3,772,548	3,581,869	2,850,319	2,850,319
Contributed surplus		861,817	981,714	23,957	23,957
Foreign currency translation		95,839	(108,425)	26,803	(167,384)
Accumulated deficit		(15,883,744)	(14,590,547)	(8,787,799)	(7,822,230)
TOTAL SHAREHOLDERS' EQUITY		3,237,848	3,683,257	1,057,000	1,828,382
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,865,904	4,873,463	2,330,736	2,830,571

QYOU Media Inc. (Formerly Galleria Oportunities Ltd.)
CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(expressed in Canadian Dollars)

	Note	Three months ended September 30, 2017	2016
REVENUES			
Linear channel		$ 1,222,627	$ 480,928
Programming		$ 97,912	$ 277,222
Influencer Marketing		194,399	138,907
		1,514,938	897,057
OPERATING EXPENSES	9		
Content and production costs		759,363	778,027
Sales and marketing		495,058	286,392
Salaries and benefits		452,178	292,531
Legal and consulting		488,773	156,715
General and administrative		212,878	140,567
Bad debts written off		39,051	
Foreign exchange loss (gain)		264,217	(117,677)
Interest and other expense (income)		(9,153)	(5,943)
Depreciation		6,477	3,825
Stock based compensation expense	6	142,149	
TOTAL OPERATING EXPENSES		2,850,992	1,534,437
NET LOSS		(1,336,054)	(637,380)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) that may be reclassified to profit and loss in subsequent periods:			
Exchange differences on translation of foreign operations		204,264	132,265
TOTAL COMPREHENSIVE INCOME (LOSS)		204,264	132,265
NET COMPREHENSIVE LOSS		$ (1,131,790)	$ (505,115)
Weighted average number of common shares outstanding, basic and diluted		58,189,568	51,706,924
Loss per share, basic and diluted		$ (0.02)	$ (0.01)

See accompanying notes to the consolidated financial statements

QYOU Media, Inc. (Formerly Galleria Oportunities Ltd.)
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(expressed in Canadian Dollars)

	note	#		$	$	$	$	$		$
Balance, June 30, 2016		**48,219,809**		**6,943,720**	**2,850,319**	**23,957 -**	**167,384 -**	**7,822,230**		**1,828,382**
Exchange difference on translating foreign operations							**194,187**	**(328,189)**	**$**	**(134,002)**
Net loss for the period								**(637,380)**	**$**	**(637,380)**
Balance, September 30, 2016		**48,219,809**	**0**	**6,943,720**	**2,850,319**	**23,957**	**26,803**	**(8,787,799)**		**1,057,000**
Balance, June 30, 2017		**65,939,959**		**13,689,547**	**3,710,968**	**981,714**	**(108,425)**	**(14,590,547)**		**3,683,257**
Exchange difference on translating foreign operations							**204,264**	**42,857**	**$**	**247,121**
Option Conversion	6k	**1,002,750**		501,375					**$**	**501,375**
Allocated to warrants	6l			**(61,580)**	**61,580**				**$**	**-**
Broker warrants expired	6m			**262,046**		**(308,939)**			**$**	**(46,893)**
Allocated to employee options	6n					**189,042**			**$**	**189,042**
Net loss for the period								**(1,336,054)**	**$**	**(1,336,054)**
Balance, September 30, 2017		**66,942,709**	**0**	**14,391,388**	**3,772,548**	**861,817**	**95,839**	**(15,883,744)**		**3,237,848**

See accompanying notes to the consolidated financial statements

QYOU Media Inc. (Formerly Galleria Oportunities Ltd.)
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(expressed in Canadian Dollars)

	Three months ended September 30, 2017	2016
OPERATING ACTIVITIES		
Net loss	**$ (1,336,054)**	$ (637,380)
NON-CASH ADJUSTMENTS		
Foreign exchange loss (gain)	**264,217**	(117,677)
Depreciation	**6,477**	3,825
Stock based compensation	**142,149**	-
Working capital changes		
Accounts receivable	**(370,896)**	393,101
Other receivables and deposits	**(55,998)**	
Prepaid expenses	**245**	(5,462)
Accrued revenues		175,988
Accounts Payable	**369,060**	(235,331)
Accrued expenses	**68,790**	
CASH USED IN OPERATING ACTIVITIES	**(912,010)**	(422,936)
INVESTING ACTIVITIES		
Purchase of equipment		-
Cash acquired on acqusition of Galleria Opportunities Limited.		-
Application production costs	**(173,403)**	-
CASH USED IN INVESTING ACTIVITIES	**(173,403)**	-
FINANCING ACTIVITIES		
Share issuance, net of costs	**501,375**	-
Employee loan	-	-
CASH FROM FINANCING ACTIVITIES	**501,375**	-
Translation effect on cash	**(16,087)**	**(123,708)**
NET CHANGE IN CASH	**(600,125)**	(546,644)
Cash, beginning of period	**2,582,966**	**1,802,694**
CASH, END OF PERIOD	**1,982,841**	1,256,050

See accompanying notes to the consolidated financial statements

1. BUSINESS AND ORGANIZATION

QYOU Media Inc. ("QYOU" or the "Company") was incorporated pursuant to the *Business Corporations Act* (Alberta) on July 30, 1993 under the name "575161 Alberta Inc." The registered and head office of the Company is 441 King Street West, Suite 200, Toronto ON, M5V 1K4. The Company 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.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were prepared under the historical cost convention, except for certain items not carried at historical costs as discussed in the applicable accounting policies.

Certain amounts have been reclassified from the consolidated financial statements previously presented to conform to the presentation of these consolidated financial statements in accordance with IFRS.

These consolidated financial statements are based on IFRS issued and outstanding as of September 30, 2017. The board of directors of the Company authorized the statements for issue and approved the policies the Company adopted in its consolidated financial statements for the three months ending September 30, 2017 on November 27, 2017.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

<u>Basis of Presentation</u>

The accompanying consolidated financial statements include the accounts of QYOU Media Inc. and its wholly-owned subsidiaries, QYOU Media Holdings Inc. (Ontario), QYOU Limited (Ireland), QYOUTV International Limited (Ireland) and QYOU USA Inc. (United States).

The consolidated financial statements incorporate the assets and liabilities of the Company and its wholly-owned subsidiaries as at September 30, 2017 and 2016 and the results of these subsidiaries for the three months 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.

<u>Going concern uncertainty</u>

These 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 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, 2017, the Company has not yet achieved profitable operations, and has an accumulated deficit of $15.9 million. Whether, and when, the Company can attain profitability and positive cash flows from operations has material uncertainty, which may cast significant doubt upon the Company's ability to continue as a going concern. The 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 such period, plus other financing alternatives and strategic options currently being explored. The availability of such funds is not assured and, if available, the terms thereof are not determinable. The outcome of these matters cannot be predicted at this time.

On November 21, 2017 the Company completed an offering of 15,541,100 units of the Company, at a price of $0.37 per unit on a bought deal basis pursuant to a short form prospectus for gross proceeds of $5,750,207.

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 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

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.

Intangible Assets

In accordance with IAS 38, *Intangible Assets*, expenditures on research activities are recognized as an expense in the period in which it is incurred. Externally- and internally-generated intangibles are recognized only if they meet strict criteria, relating to technical feasibility, probability that a future economic benefit associated with the asset will flow to the entity and whether the cost of the asset can be measured reliably.

Intangible assets with finite useful life are stated at cost and are amortized over their useful economic life 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 of Non-Financial Assets", 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.

Indefinite Useful Lives

We 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 judgement 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

We 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.

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.

Foreign Currency Translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company's Canadian subsidiary, QYOU Media Holdings 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 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 Holdings Inc.	Canada	Canadian Dollar
QYOU Limited	Ireland	Euro
QYOUTV International Limited	Ireland	Euro
QYOU USA Inc.	USA	US Dollar

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 ("OCI") 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 as other income in the consolidated statements of loss.

Financial instruments

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

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

Assets / liabilities	**Category**	**Measurement**
Cash	FVTPL	Fair value
Trade receivables	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.

Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that assets may be impaired. If any indication exists, or when annual impairment resting for an asset is required, the Company estimates the asset's recoverable amount. If it is not possible to estimate the recoverable amount of the individual asset, assets are grouped at the cash generating unit ("CGU") level for the purpose of assessing the recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually as at June 30, or earlier and when circumstances indicate that the carrying value may be impaired.

Intangible assets not yet available for use are tested for impairment annually. Other intangible assets and property and equipment are assessed for any indications of impairment annually. If any indication of impairment is identified, an impairment test is performed to estimate the recoverable amount.

An impairment loss is recognized in the statement of loss whenever the carrying amount of the individual asset or the CGU exceeds its recoverable amount.

An impairment loss for an individual asset or CGU shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognized and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Revenue Recognition

Linear Channel 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.

Programming Revenue

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

Influencer Marketing Revenue

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

Income Taxes

Income tax expense includes both current and deferred taxes. We use judgement 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 Statement of Financial Position. 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 judgement 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 judgement 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.

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 common shares (ignoring any potential issue of common shares which would be anti-dilutive) during the year.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The following new accounting standards applied or adopted during the period ended September 30, 2017 had no material impact on the consolidated financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization ("IAS 16" and "IAS 38")

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. These amendments do not have any impact on the consolidated financial statements as the Company has not used a revenue-based method to depreciate its non-current assets.

FUTURE ACCOUNTING POLICY CHANGES

Amendments to IFRS 2 Share-based Payment ("IFRS 2")

In 2016, the IASB issued the final amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice in three main areas: the effects of vesting conditions on the measurement of cash-settled share-based payments; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments are to be applied prospectively. However, retrospective application is permitted if elected for all three amendments and other criteria are met.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9")

In July 2014, the IASB issued the final amendments to IFRS 9, which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of evaluating the impact of these amendments on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

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. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses from sale of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company is evaluating the effect that IFRS 15 will have on its consolidated financial statements, and related disclosures, as well as the transition method to apply the new standard.

IFRS 16 Leases ("IFRS 16")

In 2016, the IASB issued IFRS 16 replacing IAS 17, Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Company is in the process of evaluating the impact that IFRS 16 may have on the Company's consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

In 2016, the IASB issued IFRIC 22 which provides requirements about which exchange rate to use when recognizing revenue in circumstances where an entity has received advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. On initial application, entities have the option to apply either retrospectively or prospectively.

REVERSE TAKE-OVER TRANSACTION

Effective March 13, 2017, the Company completed a reverse takeover transaction (the "Transaction") pursuant to which QYOU Media Holdings Inc. became a wholly-owned subsidiary of the Company and the security holders of QYOU Media Holdings Inc. became security holders of the Company. QYOU Media Holdings Inc. is the entity resulting from the amalgamation of QYOU Media Inc. (as it was then called) and 2561287 Ontario Ltd. (then a wholly-owned subsidiary of the Company) on March 13, 2017 as part of the Transaction. Herein, the term "QYOU Media" is used to refer to QYOU Media Holdings Inc. after March 13, 2017 and is used to refer to QYOU Media Inc. (as it was then called) prior to March 13, 2017. In connection with the Transaction, the Company filed articles of amendment to change its name to "QYOU Media Inc." and was continued into Ontario on March 29, 2017 under the *Business Corporations Act* (Ontario). Subsequently, on March 31, 2017, the Company's common shares (the "Common Shares") resumed trading on the facilities of the TSX Venture Exchange (the "TSXV") under the symbol "QYOU". Following the Transaction, the Company now carries on the business of QYOU Media and its subsidiaries.

On March 10, 2017, in connection with the Transaction, the Company completed a private placement of 3,869,000 units of the Company (the "Galleria Units") at a price of $0.50 per Galleria Unit, each Galleria Unit comprised of one Common Share and one-half of one Common Share purchase warrant, each such Common Share purchase warrant exercisable at a price of $0.75 per Common Share until March 10, 2019, for gross proceeds of $1,934,500, completed through the use of a Short Form Offering Document under the policies of the TSXV (the "Galleria Offering"). Also in connection with the Transaction, QYOU Media completed a brokered private placement of 8,632,000 subscription receipts of QYOU Media (the "QYOU Subscription Receipts") at a price of $0.50 per QYOU Subscription Receipt (the "QYOU Brokered Offering") and a non-brokered private placement of 2,130,000 QYOU Subscription Receipts (the "QYOU Non-Brokered Offering", and together with the QYOU Brokered Offering, the "QYOU Offering"), for aggregate gross proceeds of $5,381,000. Upon satisfaction of certain escrow release conditions, the QYOU Subscription Receipts were automatically exchanged for units of QYOU Media (the "QYOU Units"), each QYOU Unit comprised of one Class A common share in the capital of QYOU Media (each, a "QYOU Class A Share") and one-half of one QYOU Class A Share purchase warrant.

In connection with the QYOU Offering and the Galleria Offering, the agents involved in such offerings (the "Transaction Agents") were issued 668,700 compensation options of QYOU Media and 290,175 compensation options of the Company. Each compensation option of QYOU Media entitled the holder thereof to subscribe for one QYOU Unit at a price of $0.50, and each compensation option of the Company entitles the holder thereof to subscribe for one unit of the Company at a price of $0.50 per unit, in each case until March 31, 2019. Each such unit of the

[amounts in Canadian dollars, unless otherwise noted]

Company is comprised of one Common Share and one-half of one Common Share purchase warrant exercisable at a price of $0.75 per Common Share until March 31, 2019.

The fair value estimate for the QYOU Class A Shares partially comprising the QYOU Units was estimated at $0.45 per QYOU Class A Share, for an aggregate total of $4,842,900 based on 10,762,000 QYOU Units sold in the QYOU Offering. The fair value estimate of the QYOU Class A Shares partially comprising the QYOU Units was determined using the residual method.

The estimated fair value of the QYOU Class A Share purchase warrants partially comprising the QYOU Units and the Common Share purchase warrants partially comprising the units of the Company was $0.05 per each one-half of a warrant, for a total of $731,550 based on an aggregate of 14,631,000 units sold in the QYOU Offering and the Galleria Offering. The fair value estimate of such warrants was based on the Black-Scholes pricing model using the following assumptions:

Grant date share price	$0.45
Exercise price	$0.75
Risk-free interest rate	0.67%
Weighted average expected life of options (years)	2
Expected annualized volatility	100%
Expected dividend yield	nil

As part of the Transaction, securities of QYOU Media were exchanged for securities of the Company and as a result the Company issued (i) 10,762,000 Common Shares to holders of QYOU Class A Shares on the basis of one Common Share exchanged for each QYOU Class A Share held; (ii) 48,219,809 Common Shares to the holders of common shares of QYOU Media, other than QYOU Class A Shares, on the basis of 0.92 Common Shares exchanged for each common share of QYOU Media, other than QYOU Class A Shares, held; (iii) 19,463,294 Common Share purchase warrants to the holders of common share purchase warrants of QYOU Media, on the basis of one Common Share purchase warrant exchanged for each common share purchase warrant of QYOU Media held, exercisable on equivalent terms; and (iv) 1,850,890 compensation options of the Company to holders of compensation options of QYOU Media, on the basis of one compensation option of the Company exchanged for each compensation option of QYOU Media held, exercisable into securities of the Company on equivalent terms.

Upon the closing of the Transaction, on March 13, 2017, the former shareholders of QYOU Media held 58,981,809 (or 89.4%) of the issued and outstanding Common Shares, while shareholders of the Company who held Common Shares prior to the Transaction held 6,958,151 (or 10.6%) of the issued and outstanding Common Shares. Because the Company, as it existed prior to the Transaction, did not meet the definition of a “business” under IFRS 3 – Business Combinations (“IFRS 3”), the Transaction was accounted for as the purchase of the Company’s assets by QYOU Media. The consideration paid was determined as an equity settled share-based payment under IFRS 2 – Share-based payments (“IFRS 2”), at the fair value of the equity of the Company retained by the Company’s shareholders who held Common Shares prior to the Transaction, based on the fair value of the QYOU Class A Shares on the date of the closing of the Transaction which was determined to be $0.45 as noted above.

[amounts in Canadian dollars, unless otherwise noted]

The Company's listing expense associated with the Transaction recorded subsequent to the twelve months ended June 30, 2017 was $1,621,456. The amount was expensed in the Company's consolidated statement of net loss and comprehensive loss. The details of the listing expense are as follows:

	$
Fair value of consideration paid:	
3,089,151 Common Shares at $0.45 per share	1,390,118
Fair value of net assets of the Company acquired by QYOU Media	324,309
	1,065,809
Other transaction costs	
Professional fees	511,470
Filing and listing fees	44,177
Transaction listing expense	1,621,456

The Company had listing expense of nil for the three months ended September 30, 2017.

4. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	Computer & equipment	**Furniture and fixtures**	**Total**
	$	**$**	**$**
Cost			
Balance, as at June 30, 2016	44,459	1,024	45,483
Acquisitions	—	—	0
Balance, as at September 30, 2016	**44,459**	**1,024**	**45,483**
Accumulated depreciation			
Balance, as at June 30, 2016	6602	231	6,833
Depreciation for the period	3,742	84	3,826
Balance, as at September 30, 2016	10,344	315	10,659
Net book value	**34,115**	**709**	**34,824**

[amounts in Canadian dollars, unless otherwise noted]

	Computer & equipment $	Furniture and fixtures $	Total $
Cost			
Balance, as at June 30, 2017	**67,658**	**1,024**	68,682
Acquisitions			0
Balance, as at September 30, 2017	**67,658**	**1,024**	**68,682**
Accumulated depreciation			
Balance, as at June 30, 2017	**21,687**	**573**	22,260
Depreciation for the period	6,391	86	6,477
Balance, as at September 30, 2017	**28,078**	**659**	**28,737**
Net book value	**39,580**	**365**	**39,945**

5. INTANGIBLE ASSETS

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

Capitalized Application Development

Capitalized 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. The total amount capitalized as of September 30, 2017 was $831,200 (June 30, 2017 – $657,797). Amortization of the capitalized application development cost will commence upon launch of the mobile application.

Intangible Asset – Brand

On July 14, 2015, QYOU Media acquired certain assets from Black Forest Production Services ("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 has been allocated to the "QYOU" brand.

QYOU, through its wholly-owned indirect Irish subsidiary, QYOU Limited, owns a Broadcast License granted by the Broadcasting Authority of Ireland, which allows QYOU Limited to broadcast its programs in Ireland and the European Union.

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

September 30, 2017 and September 30, 2016

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

	Intangible Assets $	Capitalized Development Costs $	Total $
Cost			
Balance, as at June 30, 2016	**84,852**	**457,685**	**542,537**
Acquisitions	–	–	0
Additions	–	104,706	104,706
Impact of foreign exchange	1,995	–	1,995
Balance, as at September 30, 2016	**86,847**	**562,391**	**649,238**

	Intangible Assets $	Capitalized Development Costs $	Total $
Cost			
Balance, as at June 30, 2017	**87,835**	**657,797**	**745,632**
Additions	–	173,403	**173,403**
Impact of foreign exchange	(956)	–	**(956)**
Balance, as at September 30, 2017	**86,879**	**831,200**	**918,079**

[amounts in Canadian dollars, unless otherwise noted]

6. SHARE CAPITAL

Common shares issued	#	$
Balance, as at June 30, 2016 [a], [b], [c], [d]	**48,219,809**	**6,943,720**
Additional units issued	—	—
Balance, as at September 30, 2016	**48,219,809**	**6,943,720**
Balance, as at June 30, 2017 [e], [f], [g], [h], [i]	**65,939,959**	**13,689,547**
Compensation Option Exercises [j]	1,002,750	501,375
Allocated to warrants [k]	—	(61,580)
Compensation Option expirations [l]	—	262,046
Balance, as at September 30, 2017	**66,942,709**	**14,391,388**

[a] On June 14, 2015, the Company was incorporated with an initial investment of $25,000 and issued 24,840,000 shares to private investors.

[b] On July 15, 2015, and a subsequent closing on July 15, 2015 and July 20, 2015, QYOU Media closed a partially brokered private placement of 19,345,024 units of QYOU Media at $0.50 per unit for gross proceeds of $10,513,600, each unit consisting of one common share of QYOU Media, one-half of one common share purchase warrant of QYOU Media and one penalty warrant of QYOU Media. Each whole common share purchase warrant was exercisable for one common share of QYOU Media at an exercise price of $0.75 until January 15, 2018. The fair value of the common share purchase warrants, determined using the Black-Scholes option pricing model, has been recorded as a separate component of equity. Each penalty warrant was non-transferable and non-separable from each unit, and was exercisable for up to two-tenths of one additional unit of QYOU Media for no additional consideration, which were deemed exercised as: (a) QYOU Media was not a reporting issuer in any province or territory of Canada by November 30, 2015, which resulted in one-tenth of an additional unit of QYOU Media being issued to original registered holders on December 1, 2015; and (b) QYOU Media was not a reporting issuer in any province or territory of Canada by March 31, 2016, which resulted in a further one-tenth of a unit of QYOU Media being issued to each original registered holder on April 1, 2016. Accordingly, 1,948,317 additional units of QYOU Media were issued to the subscribers for no consideration on December 1, 2015 and 1,948,317 additional units of QYOU Media were issued to the subscribers for no consideration on April 1, 2016.

[c] QYOU Media paid broker fees of $795,690 for services rendered for the issuance of the units of QYOU Media in July 2015. In addition, QYOU Media issued broker options to acquire 1,182,190 units of QYOU Media, each exercisable at $0.50 per unit until July 15, 2017. The fair value of $308,940 of the broker options for the units of QYOU Media, determined using the Black-Scholes Option pricing model, has been recorded as a reduction of share capital and classified as a separate component of equity in contributed surplus.

[d] Pursuant to the Transaction, each issued and outstanding common share of QYOU Media, other than the QYOU Class A Shares, was exchanged for 0.92 of a Common Share, with a deemed value of $0.50 per Common Share. As a result, 52,412,836 common shares of QYOU Media, other than the QYOU Class A Shares, were exchanged for 48,219,809 Common Shares. Pursuant to the Transaction, each issued and outstanding QYOU Class A Shares was exchanged for one Common Share. As a result, 10,762,000 QYOU Class A Shares were exchanged for 10,762,000 Common Shares.

[e] Prior to the Transaction, the Company consolidated its Common Shares on a two-old-for-one-new basis resulting in 3,089,151 Common Shares before giving effect to the aforementioned Transaction. The fair value estimate for the 3,089,151 Common Shares was estimated at $0.45 per Common Share totaling $1,390,147.

[f] In connection with the Transaction, on March 10, 2017 the Company completed the Galleria Offering and issued 3,869,000 Galleria Units at a price of $0.50 per Galleria Unit, each Galleria Unit comprised of one Common Share and one-half of one Common Share purchase warrant, each Common Share purchase warrant exercisable at $0.75 per Common Share until March 10, 2019, for gross proceeds of $1,934,500 completed through the use of a Short Form Offering Document under the policies of the TSXV.

[g] In addition, in connection with the Transaction, QYOU Media completed the Brokered QYOU Offering and issued 8,632,000 QYOU Subscription Receipts at a price of $0.50 per QYOU Subscription Receipt. Upon satisfaction of certain escrow release conditions, the QYOU Subscription Receipts were automatically exchanged for QYOU Units, each QYOU Unit comprised of one QYOU Class A Common Share and one-half of one QYOU Class A Common Share purchase warrant, for gross proceeds of $4,316,000. Additionally, 2,130,000 QYOU Subscription Receipts were sold directly by QYOU on a non-brokered basis at a price of $0.50 per QYOU Subscription Receipt, for gross proceeds of $1,065,000 as part of the QYOU Non-Brokered Offering. In aggregate, the QYOU Brokered Offering and the QYOU Non-Brokered Offering resulted in the sale of 10,762,000 QYOU Units and gross proceeds of $5,381,000.

[h] The Transaction Agents were also paid a cash commission equal to 7.5% of the gross proceeds of the QYOU Brokered Offering and the Galleria Offering, and 1% of the gross proceeds of the QYOU Non-Brokered Offering. The Company paid broker fees of $479,663 for services rendered for the issuance of the subscription units. Additionally, the Company incurred $447,609 of legal fees related to financing that has been recorded as a reduction of share capital.

[i] As part of the QYOU Offering, QYOU Media issued 5,381,000 QYOU Class A Share purchase warrants to investors in the QYOU Offering, which were then exchanged for 5,381,000 Common Share purchase warrants of the Company as part of the Transaction. As part of the Galleria Offering, the Company issued 1,934,500 Common Share purchase warrants to investors in the Galleria Offering. In total, an aggregate of 7,315,500 Common Share purchase warrants were issued in connection with the QYOU Offering and the Galleria Offering, each exercisable into one Common Share at a price of $0.75 until March 31, 2019. The fair value of $860,469 of such Common Share purchase warrants was determined using the Black-Scholes option pricing model and has been recorded as a reduction of share capital.

[j] In July 2017, the Company received notices to exercise 1,002,750 compensation options in the capital of the Company, each exercisable price of $0.50 into one unit of the Company, for gross proceeds of $501,375. Each unit was comprised of Common Share and one-half of one Common Share purchase warrant, each such Common Share purchase warrant exercisable for one Common Share at a price of $0.75, with expiration dates ranging from January 15, 2018 to January 29, 2018.

[amounts in Canadian dollars, unless otherwise noted]

[k] In conjunction with the exercise of 1,002,750 compensation options mentioned in [j], above, the Company issued 501,375 Common Share purchase warrants. The fair value of these Common Share purchase warrants was determined to be $61,580 using the Black-Scholes option pricing model.

[l] In conjunction with the exercise of 1,002,750 compensation options mentioned in [j], above, the fair value of the compensation options that were exercised was determined to be $262,046 using the Black-Scholes option pricing model and has been recorded as an addition to share capital and classified as a separate component of equity in contributed surplus.

Share-Based Payments

On March 31, 2017, the Company granted stock options to acquire an aggregate of 6,446,496 Common Shares, subject to the execution of definitive option agreements, to directors, officers, consultants and employees of the Company. Each grant of options has a five-year term. The options are subject to vesting provisions that vary depending upon the recipient's role in the organization. Each option is exercisable into one Common Share at an exercise price of $0.50 per Common Share. Of these options issued, 2,000,000 vested immediately, while the remaining options vest monthly over 48 months. Subsequently, 200,000 of such options expired in accordance with their terms and 149,725 options were cancelled. On October 26, 2017, the Company granted stock options to acquire an aggregate of 450,000 Common Shares, subject to the execution of definitive option agreements, to directors, officers, consultants and employees of the Company. Each option is exercisable into one Common Share at an exercise price of $0.50 per Common Share. A summary of the status of the Company's stock option's outstanding as at September 30, 2017 and June 30, 2016 and during the periods then ended follow:

Three month periods ended	Number of Options	Weighted Average Exercise Price
Options Outstanding at June 30, 2017	6,593,996	$0.50
Options Outstanding at September 30, 2017	6,593,996	$0.50
Options Exercisable at June 30, 2017	2,287,125	$0.50
Options Exercisable at September 30, 2017	2,574,250	$0.50

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

Three month periods ended	March 2017
Expected volatility	65%
Risk free interest rate	0.67%
Dividend yield	Nil
Expected life (years)	5

Total share-based compensation expense recognized in employee compensation and benefits in the consolidated statements of loss and comprehensive loss for the three month period ended September 30, 2017 is $142,149 (June 30, 2017 – $285,683).

[amounts in Canadian dollars, unless otherwise noted]

7. WARRANTS

A summary of the Company's outstanding Common Share purchase warrants is presented below:

	Number of warrants outstanding	Weighted average exercise price	Amount
	#	$	$
Balance, as at June 30, 2016 [a], [b], [c]	**14,082,294**	**0.73**	**2,850,319**
Additional warrants issued	—	—	—
Balance, as at September 30, 2016	**14,082,294**	**0.73**	**2,850,319**
Balance, as at June 30, 2017 [d], [e]	**21,397,794**	**0.74**	**3,710,968**
Compensation Option Exercises [f]	501,375	0.75	61,580
Balance, as at September 30, 2017	**21,899,169**	**0.74**	**3,772,548**

The fair value of the warrants and units issued during the period from July 1, 2015 to September 30, 2016 was determined based on the Black-Scholes option pricing model using the following inputs:

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

The fair value of the warrants issued as part of the Transaction and the Galleria Offering in March 2017 was determined based on the Black-Scholes option pricing model using the following inputs:

	March 2017 Offering
Risk-free interest rate	0.67%
Expected volatility	65%
Expected dividend yield	Nil
Share price	$0.45
Exercise price	$0.75
Life to expiry	2 years

[amounts in Canadian dollars, unless otherwise noted]

The fair value of the warrants issued during the three months ended September 30, 2017 was determined based on the Black-Scholes option pricing model using the following inputs:

	July 2017 Exercise of Compensation Options
Risk-free interest rate	0.67%
Expected volatility	65%
Expected dividend yield	Nil
Share price	$0.51
Exercise price	$0.75
Life to expiry	2 years

[a] On July 14, 2015 prior to the close of its July 2015 private placement, QYOU Media issued 1,375,876 common share purchase warrants to consultants for advisory services. Each of these warrants was exercisable for one common share of QYOU Media 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, in connection with QYOU Media's private placement in July 2015, QYOU Media issued 10,588,682 common share purchase warrants as described above in Footnote B to Note 6. The grant date fair value of these warrants was determined to be $2,565,332.

[c] Under the terms of the private placement of QYOU Media in July 2015, QYOU Media was required to issue an additional non-transferable 0.1 unit of QYOU Media for each unit of QYOU Media issued if QYOU Media did not achieve a 'liquidity event' by November 30, 2015 and a further non-transferable 0.1 unit of QYOU Media if the Company did not achieve a liquidity event by March 31, 2016. Each such additional unit of QYOU Media was comprised of one common share of QYOU Media and one-half of one common share purchase warrant of QYOU Media. Each whole common share purchase warrant of QYOU Media was exercisable for one common share of QYOU Media at an exercise price of $0.75 until January 15, 2018. QYOU Media remained as a private company as of November 30, 2015 and March 31, 2016. Accordingly, 1,058,868 additional common share purchase warrants of QYOU Media were issued to the subscribers for no consideration on December 1, 2015, and 1,058,868 additional common share purchase warrants of QYOU Media were issued to the subscribers for no consideration on April 1, 2016.

[d] Prior to the QYOU Offering, there were 14,082,294 common share purchase warrants of QYOU Media issued and outstanding, which were exchanged for Common Share purchase warrants as part of the Transaction on the basis of one Common Share purchase warrant exchanged for each common share purchase warrant of QYOU Media held.

[e] As part of the QYOU Offering, QYOU Media issued 5,381,000 QYOU Class A Share purchase warrants to investors in the QYOU Offering, which were then exchanged for 5,381,000 Common Share purchase warrants of the Company as part of the Transaction. As part of the Galleria Offering, the Company issued 1,934,500 Common Share purchase warrants to investors in the Galleria Offering. In total, an aggregate of 7,315,500 Common Share purchase warrants were issued in connection with the QYOU Offering and the Galleria Offering, each exercisable into one Common Share at a price of $0.75 until March 31, 2019. The fair value of $860,649 of such Common Share purchase warrants was determined using the Black-Scholes option pricing model and has been recorded as a reduction of share capital.

[amounts in Canadian dollars, unless otherwise noted]

[f] In July 2017, the Company received notices to exercise 1,002,750 compensation options in the capital of the Company, each exercisable price of $0.50 into one unit of the Company, for gross proceeds of $501,375. Each unit was comprised of Common Share and one-half of one Common Share purchase warrant, each such Common Share purchase warrant exercisable for one Common Share at a price of $0.75, with expiration dates ranging from January 15, 2018 to January 29, 2018.

8. COMPENSATION OPTIONS TO BROKERS

A summary of the Company's outstanding compensation options of the Company is presented below:

	Number of options outstanding	Weighted average exercise price	Amount
	#	$	$
Balance, as at June 30, 2016	**1,182,190**	**0.50**	**308,940**
Compensation options issued to brokers	—	—	—
Balance, as at September 30, 2016 [a]	**1,182,190**	**0.50**	**308,940**
Balance, as at June 30, 2017 [b]	**2,141,065**	**0.50**	**480,839**
Expired compensation options issued to brokers [c]	(1,182,190)	—	(308,940)
Balance, as at September 30, 2017	**958,875**	**0.50**	**171,899**

[a] In July 2015, QYOU Media issued 1,182,190 compensation options to acquire units of QYOU Media to the agents involved in QYOU Media's private placement in July 2015 for their services as described above in Footnote C to Note 6. The grant date fair value of these compensation options was determined to be $308,940 based on the Black-Scholes option pricing model using the following inputs:

	Compensation options
Risk-free interest rate	0.45%
Expected volatility	100%
Expected dividend yield	Nil
Share price	$0.50
Exercise price	$0.50
Life to expiry	2.0 years

[b] In March 2017, the Company and QYOU Media issued an aggregate of 958,875 compensation options to the Transaction Agents for their services in the QYOU Offering and the Galleria Offering, as described above in

[amounts in Canadian dollars, unless otherwise noted]

Footnote I to Note 6. The grant date fair value of these compensation options was determined to be $171,899 based on the Black-Scholes option pricing model using the following inputs:

	Compensation options
Risk-free interest rate	0.67%
Expected volatility	65%
Expected dividend yield	Nil
Share price	$0.50
Exercise price	$0.50
Life to expiry	2.0 years

[c] In July 2015, QYOU Media issued 1,182,190 compensation options to acquire units of QYOU Media to the agents involved in QYOU Media's private placement in July 2015 for their services as described above in Footnote B to Note 6. These options expired in July of 2017 and have accordingly been recorded as a reduction in compensation options.

9. RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Company were comprised of the following:

- The Company paid consulting fees of $53,389 to a director for services rendered for the three months ended September 30, 2017 (September 30, 2016 – nil).
- 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"). As of September 30, 2017, the full principal amount of the Officer Loan had been paid to Mr. Marvis. As at September 30, 2017, the carrying value of the loan, inclusive of principle and interest, was US$151,000 or C$188,057 as determined using the Bank of Canada exchange rate on September 30, 2017 of US$1 = C$1.2454.
- BFPS and the Company are considered to be related parties for accounting purposes as a result of common share ownership and because an officer of the Company also acts as a director of BFPS.
- In addition, BFPS provides outsourced production services, on a cost plus basis, for the Company's videos under the terms of a production services contract. Total production costs incurred by the Company that were provided by BFPS for the three months ended September 30, 2017 was $151,488 (September 30, 2016 – $568,265).
- As at September 30, 2017, total amounts due to BFPS was $42,479 (September 30, 2016 – $54,100) and is included in Accounts Payable. The Company's payment terms to BFPS is due upon receipt and non-interest bearing.
- During the three months ended September 30, 2017, BFPS paid certain operating expenses, which include salaries for certain employees as well as related expenses, for the Company in the amount of $541,112. For the three months ending September 30, 2016, BFPS paid expenses amounting to $318,902 on behalf of the Company. These amounts were reimbursed by the Company.
- The Company paid interest of nil to a director on a short term promissory note for $75,000 for the three months ended September 30,2017 (September 30, 2016 – nil).

[amounts in Canadian dollars, unless otherwise noted]

10. COMMITMENTS AND CONTINGENCIES

Contingencies

During the ordinary course of business activities, the Company may be contingently liable for litigation and a party to claims. Management believes that adequate provisions have been made in the accounts where required. There were no legal actions or claims reported at September 30, 2017.

Production Services Contract

The Company has entered into a non-exclusive contract with BFPS whereby BFPS will provide video and music 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.

11. FINANCIAL INSTRUMENTS

Financial assets are classified into one of the following categories under IFRS: fair value through profit and loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities. The carrying value of the Company's financial instruments is classified into the following categories:

	September 30, 2017	June 30, 2017
	$	$
Fair value through profit and loss(1)	1,982,841	2,582,966
Loans and receivables(2)	1,906,278	1,479,383
Other financial liabilities(3)	1,628,056	1,190,205

(1) Includes cash. Classified within the level within the level 1 (unadjusted quoted prices in active markets for identical assets) of the fair value hierarchy.

(2) Includes accounts receivable and ITC receivable.

(3) Includes accounts payable and accrued liabilities.

Fair value

IFRS requires that the Company disclose information about the fair value of its financial assets and financial liabilities. Fair value estimates are made at the end of the reporting period, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company has designated its cash as fair value through profit and loss, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, due to related parties, and promissory notes are classified as other financial liabilities, which are measured at amortized cost. As at September 30, 2017, the carrying values of the Company's financial instruments approximate their fair values due to their short term nature.

[amounts in Canadian dollars, unless otherwise noted]

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of the applicable financial instruments. The Company minimizes credit risk on cash by depositing with only reputable financial institutions. The Company's primary credit risk relates to its bank accounts. The balance of these accounts as at September 30, 2017 and September 30, 2016 was held with major financial institutions as follows:

	September 30, 2017 $	June 30, 2017 $
In Canada		
- At financial institute	1,458,341	2,254,024
- In trust at legal counsel	7,662	18,953
In United States	258,396	88,335
In Ireland	258,442	221,654

Additional credit risk is attributable to $360,080 as at September 30, 2017 (June 30, 2017 - $329,347) of Harmonized Sales Tax and Value Added Taxes receivable from the Federal Government of Canada and the Government of Ireland. Management believes that the credit risk with respect to these financial instruments is remote.

Liquidity risk

Liquidity risk arises as a result of an excess of financial obligations due over available financial assets at any point in time. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at September 30, 2017, the Company had a positive working capital of $2,272,175 and cash and cash equivalents of $1,982,841 relative to a current liabilities balance of $1,628,056.

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. However, a variation of interest rates would not significantly affect results or equity of the Company as it does not have any interest bearing financial instruments.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar. The Company is exposed to the risk that the value of its financial instruments will fluctuate due to changes in exchange rates.

Sensitivity analysis

The Company holds balances in foreign currencies that could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the Canadian dollar foreign exchange rate against the United States Dollar or the Euro would affect the reported loss and comprehensive loss by approximately $50,000.

[amounts in Canadian dollars, unless otherwise noted]

Limitations of sensitivity analysis

The above analysis demonstrates the effect of change in foreign exchange rates. The financial position of the Company may vary at the time those changes in foreign exchange rates occur, causing the impact on the Company's results to differ from that shown above.

12. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' 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 of the Company. 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.

13. 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 Chief Executive Officer 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 on pay-television platforms. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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

As at September 30, 2017	**Canada**	**USA**	**Ireland**	**Inter-company**	**Total**
Revenues		576,763	938,175		1,514,938
Current assets	13,918,921	5,343,936	13,575,554	(28,938,180)	3,900,231
Non-current assets		23,433	942,210		965,643

As at September 30, 2016	**Canada**	**USA**	**Ireland**	**Inter-company**	**Total**
Revenues		138,907	758,150		897,057
Current assets	8,589,219	2,911,880	6,211,410	(16,073,451)	1,639,058
Non-current assets		5,796	685,882		691,678

[amounts in Canadian dollars, unless otherwise noted]

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

	September 30, 2017	September 30, 2016
Customer A	65%	38%
Customer B	—	15%
Customer C	—	15%
Customer D	13%	—

13. Subsequent Events

On October 26, 2017, the Company issued stock options to acquire an aggregate of 450,000 Common Shares to certain directors and consultants of the Company pursuant to the Company's stock option plan, each stock option exercisable to purchase one Common Share at a price of $0.50 until October 26, 2022.

On November 21, 2017 the Company completed an offering of 15,541,100 units of the Company (the "Units"), at a price of $0.37 per Unit on a bought deal basis pursuant to a short form prospectus for gross proceeds of $5,750,207 (the "Offering"). Each Unit consists of one Common Share and one-half of one Common Share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at a price of $0.55 per share until November 21, 2019. In connection with the Offering, the Company also granted the underwriter, Clarus Securities Inc., and other members of its selling group 2,027,100 compensation options of the Company (the "Compensation Options"), each Compensation Option exercisable until November 21, 2019 at a price of $0.37 into one Unit.