



MOOVLY MEDIA INC.

Consolidated Financial Statements

(Expressed in Canadian Dollars)

Year Ended September 30, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Moovly Media Inc.

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates the Company has not achieved positive cash flow from operations and is not able to finance day to day activities through operations. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast substantial doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

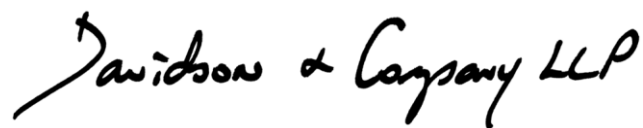
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

January 28, 2021

Moovly Media Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	September 30, 2020	September 30, 2019
	(\$)	(\$)
ASSETS		
Current assets		
Cash	48,869	25,962
Accounts receivable (Note 5)	90,151	32,691
Prepaid expenses	42,649	39,435
	181,669	98,088
Equipment (Note 6)	439	5,239
Intangible assets (Note 7)	551,708	749,927
	733,816	853,254
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8 and 11)	1,743,920	1,333,746
Deferred revenue	626,371	344,052
Notes payable (Note 9)	2,493,647	737,301
	4,863,938	2,415,099
Notes Payable (Note 9)	1,155,974	2,101,669
	6,019,912	4,516,768
Shareholders' deficiency		
Share capital (Note 10)	12,688,048	12,688,048
Reserves	1,049,983	1,026,537
Deficit	(19,024,127)	(17,378,099)
	(5,286,096)	(3,663,514)
	733,816	853,254

Nature of operations and going concern (Note 1)

Commitments (Note 13)

Subsequent events (Note 18)

These consolidated financial statements were authorized for issue by the Board of Directors on January 28, 2021. They are signed on behalf of the Board of Directors by:

"Brendon Grunewald"

Brendon Grunewald - Director

"Michelle Gahagan"

Michelle Gahagan - Director

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

Moovly Media Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Year Ended September 30, 2020 (\$)	Year Ended September 30, 2019 (\$)
Revenue (Note 11)	1,469,868	1,219,953
Expenses		
Advertising and promotion	14,936	116,731
Amortization (Note 6 and 7)	574,486	688,975
Consulting fees (Note 11)	206,774	245,311
Finance expense	378,813	254,473
Foreign exchange loss	4,008	20,008
Hosting and software	202,576	337,746
Management fees (Note 11)	708,290	104,780
Office and general	289,158	260,798
Professional fees (Note 11)	123,185	185,725
Regulatory and filing fees	14,725	24,713
Share-based compensation (Note 10 and 11)	179,163	140,633
Travel	25,987	50,777
Wages and benefits	461,038	597,019
	(3,183,139)	(3,027,689)
Loss for the year	(1,713,271)	(1,807,736)
Item that are or may be subsequently reclassified to profit or loss:		
Foreign exchange differences on translating foreign operations	(88,474)	17,810
Comprehensive loss for the year	(1,801,745)	(1,789,926)
Basic and diluted loss per common share	(0.01)	(0.01)
Weighted average common shares outstanding:		
Basic	132,726,596	132,726,596
Diluted	132,726,596	132,726,596

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

Moovly Media Inc.

Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Share capital		Reserves		Deficit	Total Shareholders' Deficiency
	Number of Shares	Amount	Warrants and Options	Foreign Currency Translation		
		(\$)	(\$)	(\$)	(\$)	(\$)
Balance at September 30, 2018	132,726,596	12,478,950	1,255,829	(96,025)	(15,652,975)	(2,014,221)
Share-based compensation	-	-	140,633	-	-	140,633
Transfer of expired stock options	-	-	(82,612)	-	82,612	-
Transfer of expired warrants	-	209,098	(209,098)	-	-	-
Loss and comprehensive loss	-	-	-	17,810	(1,807,736)	(1,789,926)
Balance at September 30, 2019	132,726,596	12,688,048	1,104,752	(78,215)	(17,378,099)	(3,663,514)
Share-based compensation	-	-	179,163	-	-	179,163
Transfer of expired stock options	-	-	(67,243)	-	67,243	(67,243)
Loss and comprehensive loss	-	-	-	(88,474)	(1,713,271)	(1,801,745)
Balance at September 30, 2020	132,726,596	12,688,048	1,216,672	(166,689)	(19,024,127)	(5,286,096)

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

Moovly Media Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended September 30, 2020	Year Ended September 30, 2019
	(\$)	(\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the year	(1,713,271)	(1,807,736)
Items not affecting cash:		
Amortization	574,486	688,975
Accrued interest expense	256,486	199,308
Share-based compensation	179,163	140,633
Unrealized foreign exchange loss (gain)	1,200	(26,431)
Changes in non-cash working capital items:		
Accounts receivable	(53,461)	5,812
Prepaid expenses	-	(30,331)
Accounts payable and accrued liabilities	443,229	181,841
Deferred revenue	245,147	49,639
Cash used in operating activities	(67,021)	(598,290)
INVESTING ACTIVITIES		
Acquisition of equipment	-	(3,510)
Intangible asset expenditures	(424,528)	(418,707)
Cash used in investing activities	(424,528)	(422,217)
FINANCING ACTIVITIES		
Proceeds from notes payable	514,456	821,898
Cash provided by financing activities	514,456	821,898
Change in cash during the year	22,907	(198,609)
Cash - beginning of year	25,962	224,571
Cash - end of year	48,869	25,962

Supplemental cash flow information (Note 16)

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

MOOVLY MEDIA INC.

Notes to Consolidated Financial Statements

Year Ended September 30, 2020*(Expressed in Canadian Dollars)*

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Moovly Media Inc. (the “Company”) was incorporated on December 28, 2006 under the Business Corporations Act of British Columbia. The Company currently trades on the TSX Venture Exchange (“TSX-V”) under the symbol “MVY”. The Company has developed a cloud-based digital media and content creation platform and is currently classified as a technology issuer under the policies of the TSX-V.

The Company’s head office, principal address and registered and records office is located at 1558 West Hastings Street, Vancouver, British Columbia, Canada, V6G 3J4.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2020, the Company has not achieved positive cash flow from operations and is not able to finance day to day activities through operations and is not in compliance with certain loan terms (note 9). The Company expects to incur further losses in the development of its business. These material uncertainties may cast substantial doubt on the Company’s ability to continue as a going concern. The Company expects to incur further losses in the development of its business.

In March 2020 the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments have affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

The outbreak of COVID-19 may have a negative impact on the trading prices of the Company’s shares and its ability to raise new capital. The Company’s continuation as a going concern is dependent upon its ability to ultimately attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

NOTE 2 - BASIS OF PRESENTATION

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (collectively, “IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on January 28, 2021.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments recorded at fair value.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned legal subsidiary, Moovly NV (“Moovly”), a Belgium corporation, on a consolidated basis after the elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power to direct the relevant activities of the entity.

MOOVLY MEDIA INC.

Notes to Consolidated Financial Statements

Year Ended September 30, 2020*(Expressed in Canadian Dollars)*

NOTE 2 - BASIS OF PRESENTATION (continued)**Functional and Presentation Currency**

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent. The functional currency of Moovly is the Euro.

Significant Accounting Judgments, Estimates and Assumptions

In the application of the Company's accounting policies management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses and are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and management's assessment of current events and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant estimates and assumptions that have the most significant effect on the amounts recognized in these financial statements include:

Economic recoverability and probability of future economic benefits of intangible assets and amortization

Management has determined that intangible asset costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life.

The amortization expense related to intangible assets is determined using estimates relating to the useful life of the intangible asset.

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Significant judgements that have the most significant effect on the amounts recognized in these financial statements include:

Revenue recognition and deferred revenue

Revenue recognition of license sales is recorded on a monthly basis. Cash received in advance for annual licenses are recorded as deferred revenue based on the proportion of time remaining under the license as at the reporting date.

NOTE 2 - BASIS OF PRESENTATION (continued)

Significant Accounting Judgments, Estimates and Assumptions (continued)

Determination of functional currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of the legal parent to be the Canadian dollar and the legal subsidiary to be the Euro. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

The results and financial position of the Company's subsidiary which has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the period-end exchange rate;
- Income and expenses for the statement of loss are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translating foreign operations are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

Share-based payments

The Company has an employee stock option plan. Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based reserve is transferred to deficit.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the fiscal period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated using a straight line method to write off the cost of the assets. The depreciation rates applicable to each category of equipment are as follows:

Asset	Rate
Computers and office furniture	Straight line, 3 years

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting periods. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

Income taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity.

Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount is allocated to share capital.

Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

Revenue from software license sales is recognized upon delivery where there is evidence of an arrangement, the selling price is fixed or determinable and there are no significant remaining performance obligations. Accordingly, revenue derived from monthly term licenses is recognized immediately, and revenue derived from annual term licenses is recognized equally on a daily basis over the term of the contract. Annual licenses that remain partially complete as at year end and have been paid in advance are recorded as deferred revenue. Revenue from professional services is recognized as earned, based on performance according to specific terms of the contract or on the basis of the percentage of completion method where the revenue is reconcilable to services performed as a proportion of total services to be completed. Foreseeable losses, if any, are recognized in the year or period in which the loss is determined.

Intangible assets excluding goodwill

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) the intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits;
the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets excluding goodwill (continued)

- (e) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible assets first meet the recognition criteria listed above. If no future economic benefit is expected before the end of the life of assets, the residual book value is expensed. Subsequent to initial recognition, internally-generated intangible assets are reported at cost. Where no internally-generated intangible asset can be recognized, development costs are recognized as an expense in the period in which it is incurred.

Amortization of intangible assets is recognized based on an expected economic life of three years.

Financial Instruments

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

The following is the Company's accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company's financial assets consist of cash and amounts receivable, classified as amortized cost. The Company's financial liabilities consist of accounts payables and accrued liabilities, and notes payable, classified as amortized cost.

Measurement

Financial assets and liabilities at amortized cost:

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL:

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Debt investments at FVOCI:

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Measurement (continued)

Equity investments at FVOCI:

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition

Financial assets:

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities:

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Impairment of intangible assets excluding goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered impairment losses. If any such indication exists, the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs is estimated in order to determine the extent of the impairment losses (if any).

Where a reasonable and consistent basis of allocation can be identified, corporate assets (assets other than goodwill that contribute to the future cash flows of both the CGU under review and other CGUs) are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

Where impairment losses subsequently reverse, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognized for the asset (or CGU) in prior years. A reversal of impairment losses is recognized immediately in profit or loss.

MOOVLY MEDIA INC.

Notes to Consolidated Financial Statements

Year Ended September 30, 2020*(Expressed in Canadian Dollars)*

NOTE 4 – RECENT ACCOUNTING PRONOUNCEMENTS

The Company has adopted IFRS 16 for leases as at October 1, 2019, in accordance with its transitional provisions and described below. The adoption of IFRS 16 has not resulted to adjustments in previously reported figures and no change to the opening deficit balance as at October 1, 2019.

IFRS 16

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the profit or loss will be recognized on the statement of financial position.

The purpose of the standard is to provide users of the financial statements with a more accurate picture of a company's leased assets and associated liabilities, while also improving the comparability of companies that lease assets to those that purchase them.

NOTE 5 – ACCOUNTS RECEIVABLE

The components of accounts receivable consists of the following:

	September 30, 2020	September 30, 2019
	(\$)	(\$)
Trade receivables	69,878	17,111
VAT recoverable	20,273	15,580
	90,151	32,691

NOTE 6 - EQUIPMENT

	Computers and Office Furniture
	(\$)
Cost:	
At September 30, 2018	60,477
Additions	3,510
Disposals	(4,229)
Foreign Exchange	(2,029)
At September 30, 2019	57,729
Additions	-
Foreign exchange	4,706
At September 30, 2020	62,435
Accumulated depreciation:	
At September 30, 2018	46,070
Charge for the year	8,792
Disposals	(1,706)
Foreign exchange	(666)
At September 30, 2019	52,490
Charge for the year	5,039
Foreign exchange	4,467
At September 30, 2020	61,996
Net book value:	
At September 30, 2019	5,239
At September 30, 2020	439

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consist of costs incurred to develop and upgrade the Company's operating platform.

	Developed Software (\$)
Cost:	
At September 30, 2018	2,284,502
Additions	474,668
Foreign exchange	(94,179)
At September 30, 2019	2,664,991
Additions	319,403
Foreign exchange	229,132
At September 30, 2020	3,213,526
Amortization:	
At September 30, 2018	1,302,891
Charge for the year	680,183
Foreign exchange	(68,010)
At September 30, 2019	1,915,064
Charge for the year	569,447
Foreign exchange	177,307
At September 30, 2020	2,661,818
Net book value:	
At September 30, 2019	749,927
At September 30, 2020	551,708

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020 (\$)	September 30, 2019 (\$)
Trade payables	613,744	709,677
Due to related parties (Note 11)	1,036,480	369,186
Accrued liabilities	93,696	254,883
	1,743,920	1,333,746

NOTE 9 – NOTES PAYABLE

During the year ended September 30, 2020, the Company:

- a) received unsecured loans for \$389,456 from non-related parties. The loans bear interest ranging at 10% per annum, payable quarterly, and must be repaid within three years of the date of issuance. None of these loans were repaid during the year ended September 30, 2020.
- b) received interest-free, unsecured loans for \$125,000 from a director of the Company with no fixed re-payment.
- c) recorded \$256,486 as interest expense on notes payable. As at September 30, 2020, there was \$3,649,621 of loan principal and accrued interest outstanding, of which \$2,493,647 was considered to be due within one year.

During the year ended September 30, 2019, the Company:

- a) received unsecured loans for \$766,518 from non-related parties. The loans bear interest at 10% per annum, payable quarterly, and must be repaid within three years of the date of issuance. None of these loans were repaid during the year ended September 30, 2019.
- b) recorded \$199,308 as interest expense on notes payable. As at September 30, 2019, there was \$2,838,969 of loan principal and accrued interest outstanding, of which \$737,301 was considered to be due within one year.

A summary of loans and accrued interest for the year ending September 30, 2020 is outlined below:

Notes Payable – Long Term	
Balance, September 30, 2018	1,577,833
Additions	766,518
Re-allocate to short-term loan	(214,382)
Foreign exchange	(8,300)
Balance, September 30, 2019	\$ 2,101,669
Additions	389,456
Re-allocate to short-term loan	(1,336,918)
Foreign exchange	1,767
Balance, September 30, 2020	\$ 1,155,974

Notes Payable–Short Term and Interest	Note	Interest	Total
Balance, September 30, 2018	149,611	127,118	276,729
Additions	55,380	199,308	254,688
Reallocated from long-term loan	214,382	-	214,382
Foreign exchange	(6,986)	(1,512)	(8,498)
Balance, September 30, 2019	\$ 412,387	\$ 324,914	\$ 737,301
Additions	125,000	256,486	381,486
Reallocated from long-term loan	1,336,918	-	1,336,918
Foreign exchange	33,616	4,327	37,942
Balance, September 30, 2020	\$ 1,907,920	\$ 585,727	\$ 2,493,647

The Company is not in compliance with a portion of the loans included in current loans payable as they have reached the maturity date but have not yet been repaid. The creditors in this case have agreed to extend the loans until repayment can be made.

NOTE 10 – SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

There were no share capital related transactions during the year ended September 30, 2020 and September 30, 2019.

Share purchase warrants

A summary of share purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise price (\$)
Outstanding at September 30, 2018	10,809,200	0.15
Expired	(10,809,200)	0.15
Outstanding at September 30, 2019 and September 30, 2020	-	-

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall not be less than the discounted market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

A summary of stock option activity is as follows:

	Number of options	Weighted average exercise price (\$)
Outstanding at September 30, 2018	10,150,000	0.12
Cancelled	(1,550,000)	0.10
Outstanding at September 30, 2019	8,600,000	0.12
Expired	(1,100,000)	0.10
Issued	4,600,000	0.10
Outstanding at September 30, 2020	12,100,000	0.12
Exercisable at September 30, 2020	11,150,000	0.12

NOTE 10 – SHARE CAPITAL AND RESERVES (continued)

A summary of stock options outstanding as at September 30, 2020 is as follows:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price (\$)	Remaining Life (years)
August 4, 2021	400,000	400,000	0.24	0.84
November 29, 2021	200,000	200,000	0.24	1.16
September 27, 2022	800,000	800,000	0.24	1.99
August 29, 2023	6,100,000	5,150,000	0.10	2.91
April 13, 2025	4,600,000	4,600,000	0.10	4.54
	12,100,000	11,150,000	0.12	3.37

The stock option reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If vested options expire unexercised or are forfeited, the amount recorded is transferred to deficit.

Year ended September 30, 2020

During the year ended September 30, 2020, the Company granted an aggregate of 4,600,000 incentive stock options to certain directors, officers, employees and consultants, exercisable at a price of \$0.10 for a period of 5 years from the grant date. These options are performance-based and vested following the first cash flow positive quarter of Moovly, as determined by the board of directors.

During the year ended September 30, 2020, the Company recorded \$179,163 as share-based compensation expense in connection with the vesting of stock options.

Year ended September 30, 2019

During the year ended September 30, 2019, 1,550,000 stock options expired early due to termination of employee contracts.

During the year ended September 30, 2019 the Company recorded \$140,633 as share-based compensation expense in connection with the vesting of stock options.

The fair value of the options granted above were determined using the Black-Scholes option pricing model with the following assumptions:

	2020	2019
Risk-free interest rate	0.57%	-
Expected volatility	108.95%	-
Expected forfeiture rate	Nil	-
Expected dividend yield	Nil	-
Expected life of option	5 years	-

NOTE 11 – RELATED PARTY TRANSACTIONS

The Company's key management personnel consist of directors, officers and companies owned or controlled in whole or in part by officers and directors. The following summarizes the Company's related party transactions, not disclosed elsewhere in these consolidated financial statements, during the years ended September 30, 2020 and 2019:

Key Management Compensation

	2020	2019
	(\$)	(\$)
Management fees paid or accrued to a corporation controlled by the Chief Executive Officer ("CEO") of the Company.	316,470	44,906
Consulting fees paid or accrued to a corporation controlled by the Chief Executive Officer ("CEO") of the Company.	45,210	44,903
Professional and consulting fees paid or accrued to a corporation controlled by the Chief Financial Officer ("CFO") of the Company.	72,000	72,000
Management fees paid or accrued to a corporation controlled by the Chief Technology Officer ("CTO") of the Company.	391,820	59,874
Share-based compensation vested for certain directors and officer of the Company	56,543	25,021
Total	882,043	246,704

As at September 30, 2020, \$1,036,480 (September 30, 2019 - \$369,186) was included in accounts payable and accrued liabilities owing to directors, officers and companies controlled by them. These amounts are unsecured with no specific terms of repayment.

As at September 30, 2020, \$353,350 (September 30, 2019 - \$203,986) was owing to directors and officers of the Company for principal loan and accrued interest.

During the year ended September 30, 2020, the Company received \$Nil (2019 - \$103,375) in revenue from a corporation that shares directors in common with the Company.

NOTE 12 – CAPITAL DISCLOSURE AND MANAGEMENT

The Company considers its capital structure to include the components of shareholders' deficiency. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. The Company is currently unable to self-finance its operations.

Although the Company has been successful in the past in obtaining financing through the issuance of debt and/or equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable.

The Company's share capital is not subject to any external restrictions and the Company did not change its approach to capital management during the year ended September 30, 2020.

NOTE 13 – COMMITMENTS

The Company entered into a cost sharing arrangement agreement for the provision of non-exclusive office space and various administrative services. Under the terms of the agreement, the Company will pay \$7,000 plus GST per month, increasing to \$7,700 effective February 1, 2019, and further increasing to \$8,470 effective February 1, 2020 until the

NOTE 13 – COMMITMENTS (continued)

expiration of the underlying head lease on July 31, 2021. During the year ended September 30, 2020, the Company moved offices and amended the cost-sharing agreement to a month-to-month basis at the same rate.

NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and notes payable.

The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of accounts receivable, accounts payable and accrued liabilities and notes payable approximate their book values because of the short-term nature of these instruments.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company manages this credit risk by ensuring that cash is placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist of amounts due from government agencies and receivables from corporate customers of Moovly. Management believes that the credit risk with respect to these receivables is remote.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company endeavors to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. The Company is not in compliance with the terms of its notes payable and is exposed to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is nominally exposed to interest rate risk.

NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company operates in Canada and Belgium. The majority of the Company's sales are denominated in United States dollars and are immediately converted to Euros upon receipt. The majority of the Company's costs are denominated in Euros.

The Company was exposed to the following foreign currency risk as at September 30, 2020 and September 30, 2019:

	September 30, 2020	September 30, 2019
	(€)	(€)
Cash	30,359	24,561
Accounts receivable	50,235	19,080
Accounts payable and accrued liabilities	(702,211)	(529,431)
Deferred revenue	(400,724)	(238,052)
Interest payable	(43,843)	(30,276)
Loans payable	(300,332)	(300,332)
	<u>(1,366,516)</u>	<u>(1,054,450)</u>

The Company's reported results will be affected by changes in the Euro to the Canadian dollar. As at September 30, 2020, a 10% fluctuation to the Euro relative to the Canadian dollar would cause a \$137,000 change to net financial assets.

The following foreign exchange rates applied for the years ended September 30, 2020 and 2019:

	September 30, 2020	September 30, 2019
Average EUR to CAD	1.5070	1.4969
As at	<u>1.5631</u>	<u>1.4453</u>

NOTE 15 – GEOGRAPHICAL SEGMENTED INFORMATION

As at September 30, 2020, the Company is engaged in one business activity, being the development of a cloud-based digital media and content creation platform. The Company's two geographical segments are Canada and Belgium. All of the Company's intangible assets are located in Belgium. All sales, which include software licenses and professional services consulting are generated out of Belgium.

NOTE 16 – SUPPLEMENTAL CASH FLOW INFORMATION

	September 30, 2020	September 30, 2019
	(\$)	(\$)
Non-cash investing and financing activities:		
Transfer of expired stock options to deficit	67,243	82,612
Transfer of expired warrants	-	209,098
Development asset in accounts payable	59,148	157,545
Interest paid during the year	-	-
Income taxes paid during the year	-	-

NOTE 17 – INCOME TAXES

a) Provision for Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020	2019
	(\$)	(\$)
Loss for the year	(1,713,271)	(1,807,736)
Expected income tax (recovery)	(463,000)	(488,000)
Change in statutory, foreign tax, foreign exchange rates and other	(152,000)	1,108,000
Permanent differences	137,000	43,000
Adjustment to prior year's provision versus statutory tax return	(280,000)	760,000
Change in unrecognized deductible temporary differences	758,000	(1,423,000)
Income tax expense	-	-

NOTE 17 – INCOME TAXES (continued)

b) Deferred Income Taxes

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2020	2019
	(\$)	(\$)
Non-capital losses carry-forward	3,033,000	2,431,000
Intangible assets	720,000	551,000
Share issuance costs	14,000	29,000
Property and equipment	13,000	11,000
	3,780,000	3,022,000
Unrecognized deferred tax assets	(3,780,000)	(3,022,000)
	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	2020	Expiry Date Range	2019	Expiry Date Range
	(\$)		(\$)	
Non-capital losses available for future periods	13,505,000	2036 to 2040	11,068,000	2036 to 2039
Intangible assets	3,429,000	No expiry date	2,624,000	No expiry date
Share issuance costs	51,000	2021 to 2022	107,000	2020 to 2022
Property and equipment	62,000	No expiry date	53,000	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities

NOTE 18 – SUBSEQUENT EVENTS

Subsequent to the year ended September 30, 2020 the Company:

- completed a non-brokered private placement, raising aggregate gross proceeds of \$370,000 through the issuance of 4,266,666 units at \$0.125 per unit. Each unit consists of one common share and one common share purchase warrant with an exercise price of \$0.125 for a period of three years from the date of issue.
- received \$78,000 in proceeds from a note payable. The note bear interest at 10% per annum payable quarterly and must be paid within three years from the date of issuance.
- granted an aggregate of 1,250,000 incentive stock options to certain employees of the Company, exercisable at \$0.105 for a period of five years from the date of issue.