



MOOVLY MEDIA INC.

Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Month Period Ended December 31, 2019

Moovly Media Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	December 31, 2019	September 30, 2019
	(\$)	(\$)
ASSETS		
Current assets		
Cash	45,930	25,962
Accounts receivable (Note 5)	73,489	32,691
Prepaid expenses	39,790	39,435
	159,209	98,088
Equipment (Note 6)	4,217	5,239
Intangible assets (Note 7)	698,043	749,927
	861,469	853,254
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8 and 11)	1,300,057	1,333,746
Deferred revenue	439,709	344,052
Notes payable (Note 9)	823,408	737,301
	2,563,174	2,415,099
Notes Payable (Note 9)	2,346,780	2,101,669
	4,909,954	4,516,768
Shareholders' deficiency		
Share capital (Note 10)	12,688,048	12,688,048
Reserves	1,014,971	1,026,537
Deficit	(17,751,504)	(17,378,099)
	(4,048,485)	(3,663,514)
	861,469	853,254

Nature of operations and going concern (Note 1)

Commitments (Note 13)

These consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2020. 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 condensed interim consolidated financial statements

Moovly Media Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Three Month Period Ended December 31, 2019	Three Month Period Ended December 31, 2018
	(\$)	(\$)
Revenue (Note 11)	207,254	242,180
Expenses		
Advertising and promotion	3,537	11,579
Amortization (Note 6 and 7)	159,569	182,965
Consulting fees (Note 11)	33,781	69,375
Finance expense	69,617	50,190
Foreign exchange loss	832	1,300
Hosting and software	55,586	-
Management fees (Note 11)	15,388	101,776
Office and general	81,026	103,926
Professional fees (Note 11)	18,882	32,452
Regulatory and filing fees	5,358	641
Share-based compensation (Note 10 and 11)	-	-
Travel	4,371	20,625
Wages and benefits	132,712	166,838
	(580,659)	(741,667)
Loss for the period	(373,405)	(499,487)
Item that are or may be subsequently reclassified to profit or loss:		
Foreign exchange differences on translating foreign operations	(11,567)	(44,058)
Comprehensive loss for the period	(384,972)	(543,545)
Basic and diluted loss per common share	(0.00)	(0.00)
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 condensed interim consolidated financial statements

Moovly Media Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Share capital		Reserves			Total Shareholders' Deficiency
	Number of Shares	Amount	Warrants and Options	Foreign Currency Translation	Deficit	
		(\$)	(\$)	(\$)	(\$)	(\$)
Balance at September 30, 2018	132,726,596	12,478,950	1,255,829	(96,025)	(15,652,975)	(2,014,221)
Loss and comprehensive loss	-	-	-	(44,058)	(499,487)	(543,545)
Balance at December 31, 2018	132,726,596	12,478,950	1,255,829	(140,083)	(16,152,462)	(2,557,766)
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	-	-	-	61,868	(1,308,249)	(1,246,381)
Balance at September 30, 2019	132,726,596	12,688,048	1,104,752	(78,215)	(17,378,099)	(3,663,514)
Loss and comprehensive loss	-	-	-	(11,566)	(373,405)	(384,971)
Balance at December 31, 2019	132,726,596	12,688,048	1,104,752	(89,781)	(17,751,504)	(4,048,485)

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

Moovly Media Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Three Month Period Ended December 31, 2019	Three Month Period Ended December 31, 2018
	(\$)	(\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	(373,405)	(499,487)
Items not affecting cash:		
Amortization	159,569	182,965
Accrued interest expense	60,141	-
Share-based compensation	-	-
Unrealized foreign exchange loss (gain)	(6,581)	(43,160)
Changes in non-cash working capital items:		
Accounts receivable	(40,798)	(52,290)
Prepaid expenses	(355)	(20,609)
Accounts payable and accrued liabilities	1,323	259,944
Current portion of notes payable - interest	-	16,800
Deferred revenue	92,765	31,230
Cash used in operating activities	(107,341)	(124,607)
INVESTING ACTIVITIES		
Acquisition of equipment	(1,630)	-
Intangible asset expenditures	(137,851)	(299,382)
Cash used in investing activities	(139,481)	(299,382)
FINANCING ACTIVITIES		
Proceeds from notes payable	266,790	279,500
Cash provided by financing activities	266,790	279,500
Change in cash during the period	19,968	(144,489)
Cash - beginning of period	25,962	224,571
Cash - end of period	45,930	80,082

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

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019*(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 Suite 302 – 1620 West 8th Avenue, Vancouver, British Columbia, Canada, V6J 1V4.

These condensed interim 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 December 31, 2019, the Company has not achieved positive cash flow from operations and is not able to finance day to day activities through operations. The Company expects to incur further losses in the development of its business and is not in compliance with certain of its loan agreements. These material uncertainties may cast substantial doubt on the Company’s ability to continue as a going concern. 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 condensed interim 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 condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the IFRS Interpretations committee. They do not include all disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements, and, therefore, should be read in conjunction with the Company’s audited consolidated financial statements for the year ended September 30, 2019, prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2020.

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value. Cost is the fair value of consideration given in exchange for assets.

Basis of Consolidation

These condensed interim 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.

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.

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019

(Expressed in Canadian Dollars)

NOTE 2 - BASIS OF PRESENTATION (continued)

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.

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.

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019*(Expressed in Canadian Dollars)*

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's audited annual consolidated financial statements for the year ended September 30, 2019.

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:

	December 31, 2019	September 30, 2019
	(\$)	(\$)
Trade receivables	47,089	17,111
VAT recoverable	26,400	15,580
	73,489	32,691

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019*(Expressed in Canadian Dollars)*

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	1,630
Foreign exchange	(1,111)
At December 31, 2019	58,248
Accumulated depreciation:	
At September 30, 2018	46,070
Charge for the year	8,792
Disposals	(1,706)
Foreign exchange	(666)
At September 30, 2019	52,400
Charge for the period	2,050
Foreign exchange	(419)
At December 31, 2019	54,031
Net book value:	
At September 30, 2019	5,239
At December 31, 2019	4,217

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019*(Expressed in Canadian Dollars)***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	98,752
Foreign exchange	23,782
At December 31, 2019	2,787,526
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 period	157,519
Foreign exchange	16,901
At December 31, 2019	2,089,483
Net book value:	
At September 30, 2019	749,927
At December 31, 2019	698,043

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	September 30, 2019
	(\$)	(\$)
Trade payables	937,751	709,677
Due to related parties (Note 11)	115,775	369,186
Accrued liabilities	246,531	254,883
	1,300,057	1,333,746

NOTE 9 – NOTES PAYABLE

During the three-month period ended December 31, 2019, the Company:

- a) received unsecured loans for \$266,790 from non-related parties. The loans bear interest ranging from 0% to 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 three-month period ended December 31, 2019.

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019*(Expressed in Canadian Dollars)***NOTE 9 – NOTES PAYABLE (continued)**

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

- a) received unsecured loans for \$766,518 (2018 - \$1,856,743) 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. The Company repaid loans of \$Nil (2018 - \$478,000, \$300,000 of which was repaid with shares).
- b) received unsecured loans for \$Nil (2018 - \$76,000) from an officer of the Company. The loans bear interest at 10% per annum, payable quarterly, and must be repaid within three years of the date of issuance.
- c) received unsecured loans for \$Nil (2018 - \$22,862 (€15,000)) from a director of the Company. These loans bear interest at 7% per annum, payable monthly, and must be repaid within three years of the date of issuance. The Company repaid loans of \$Nil (2018 - \$45,724 (€30,000)) to this director.
- d) received a non-interest bearing, unsecured short-term loan for \$Nil (2018 - \$152,413 (€100,000)) from non-related parties which is due on demand. The Company repaid \$Nil (2018 - \$Nil).
- e) recorded \$335,156 (2018 - \$151,114) as interest expense. As at September 30, 2019, there was \$2,838,969 (2018 - \$1,834,562) of loan principal and accrued interest outstanding, of which \$737,301 (2018 - \$276,729) was considered to be due within one year.
- f) was non-compliant with the underlying terms and agreements with certain of the above loans, such loans being included in current loans payable.

A summary of loans and accrued interest for the three-month period ending December 31, 2019 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	266,790
Re-allocate to short-term loan	(21,875)
Foreign exchange	196
Balance, December 31, 2019	\$ 2,346,780

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	-	60,126	60,126
Reallocated from long-term loan	21,875	-	21,875
Foreign exchange	196	3,910	4,106
Balance, December 31, 2019	\$ 434,458	\$ 388,950	\$ 823,408

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019*(Expressed in Canadian Dollars)***NOTE 9 – NOTES PAYABLE (continued)**

Loan amounts, including interest, due over the next three fiscal years:

2020	\$	862,301
2021		1,274,579
<u>2022</u>		<u>1,033,308</u>
	\$	<u>3,170,188</u>

NOTE 10 – SHARE CAPITAL AND RESERVES**Authorized share capital**

Unlimited number of common shares without par value.

Issued share capitalThree-month period ended December 31, 2019

There were no share capital related transactions during the three-month period ended December 31, 2019.

Year ended September 30, 2019

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

Escrow

Pursuant to an escrow agreement dated July 26, 2016, 35,754,570 common shares were originally held in escrow, all of which have been released as at September 30, 2019.

As at December 31, 2019, there were Nil (September 30, 2019: Nil) common shares remaining in escrow.

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	-	-
Outstanding at December 31, 2019	-	-

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.

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019*(Expressed in Canadian Dollars)***NOTE 10 – SHARE CAPITAL AND RESERVES (continued)**

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
Outstanding at December 31, 2019	8,600,000	0.12
Exercisable at December 31, 2019	6,643,750	0.12

A summary of stock options outstanding as at December 31, 2019 is as follows:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price (\$)	Remaining Life (years)
August 4, 2021	400,000	400,000	0.24	1.85
November 29, 2021	200,000	150,000	0.24	2.17
September 27, 2022	800,000	600,000	0.24	2.99
August 29, 2023	7,200,000	5,493,750	0.10	3.92
	8,600,000	6,643,750	0.12	3.69

Three-month period ended December 31, 2019

During the three-month period ended December 31, 2019, there was no option or warrant activity

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.

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 three-month periods ended December 31, 2019 and 2018:

Key Management Compensation

	2019	2018
	(\$)	(\$)
Management fees paid or accrued to a corporation controlled by the Chief Executive Officer ("CEO") of the Company.	-	45,234
Professional and consulting fees paid or accrued to a corporation controlled by the Chief Financial Officer ("CFO") of the Company.	18,000	18,000
Management fees paid or accrued to a corporation controlled by the Chief Technology Officer ("CTO") of the Company.	10,961	56,542
Total	28,961	119,776

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019*(Expressed in Canadian Dollars)*

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

As at December 31, 2019, \$412,776 (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 December 31, 2019, \$209,079 (September 30, 2019 - \$203,986) was owing to directors and officers of the Company for principal loan and accrued interest.

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 three-month period ended December 31, 2019.

NOTE 13 – COMMITMENTS

The Company entered into a cost sharing arrangement agreement for the provision of 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 February 1, 2019 until the expiration of the underlying head lease on July 31, 2021.

<u>Fiscal Year</u>	<u>Amount</u>
	(<u>\$</u>)
2020	69,300
2021	77,000

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.

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019*(Expressed in Canadian Dollars)***NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

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 carrying 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 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 exposed to interest rate risk on its notes payable.

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 December 31, 2019 and September 30, 2019:

	December 31, 2019	September 30, 2019
	(€)	(€)
Cash	30,604	24,561
Accounts receivable	48,267	19,080
Accounts payable and accrued liabilities	(508,294)	(529,431)
Deferred revenue	(301,522)	(238,052)
Interest payable	(33,643)	(30,276)
Loans payable	(300,332)	(300,332)
	<u>(1,064,920)</u>	<u>(1,054,450)</u>

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Three Month Period Ended December 31, 2019*(Expressed in Canadian Dollars)***NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

The Company's reported results will be affected by changes in the Euro to the Canadian dollar. As at December 31, 2019, a 10% fluctuation to the Euro relative to the Canadian dollar would cause a \$106,000 change to net financial assets.

The following foreign exchange rates applied for the periods ended December 31, 2019 and September 30, 2019:

	December 31, 2019	September 30, 2019
Average EUR to CAD	1.4615	1.4969
As at	1.4583	1.4453

NOTE 15 – GEOGRAPHICAL SEGMENTED INFORMATION

As at December 31, 2019, 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

	December 31, 2019	September 30, 2019
	(\$)	(\$)
Non-cash investing and financing activities:		
Transfer of expired stock options to deficit	-	82,612
Transfer of expired warrants	-	209,098
Development asset in accounts payable	111,572	157,545
Interest paid during the year	-	-
Income taxes paid during the year	-	-