



MOOVLY MEDIA INC.

Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Nine Month Period Ended June 30, 2020

Moovly Media Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	June 30, 2020	September 30, 2019
	(\$)	(\$)
ASSETS		
Current assets		
Cash	89,183	25,962
Accounts receivable (Note 5)	41,410	32,691
Prepaid expenses	41,760	39,435
	172,353	98,088
Equipment (Note 6)	2,267	5,239
Intangible assets (Note 7)	600,337	749,927
	774,957	853,254
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8 and 11)	1,388,821	1,333,746
Deferred revenue	580,565	344,052
Notes payable (Note 9)	977,009	737,301
	2,946,395	2,415,099
Notes Payable (Note 9)	2,565,545	2,101,669
	5,511,940	4,516,768
Shareholders' deficiency		
Share capital (Note 10)	12,688,048	12,688,048
Reserves	963,650	1,026,537
Deficit	(18,388,681)	(17,378,099)
	(4,736,983)	(3,663,514)
	774,957	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 August 27, 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 June 30, 2020 (\$)	Three Month Period Ended June 30, 2019 (\$)	Nine Month Period Ended June 30, 2020 (\$)	Nine Month Period Ended June 30, 2019 (\$)
Revenue (Note 11)	374,554	303,352	1,082,730	896,149
Expenses				
Advertising and promotion	1,381	30,109	10,339	56,350
Amortization (Note 6 and 7)	145,364	160,485	446,892	534,987
Consulting fees (Note 11)	48,471	65,721	149,303	201,853
Finance expense	74,863	64,796	268,746	171,780
Foreign exchange loss	(44)	19,820	3,359	21,651
Hosting and software	100,365	43,573	196,044	278,096
Management fees (Note 11)	30,039	(131)	355,992	101,701
Office and general	47,819	89,568	194,193	203,445
Professional fees (Note 11)	62,993	113,071	92,348	168,891
Regulatory and filing fees	6,259	1,533	15,900	19,541
Travel	856	13,745	18,964	38,623
Wages and benefits	104,103	137,791	341,232	500,990
	(622,469)	(740,081)	(2,093,312)	(2,297,908)
Loss for the period	(247,915)	(436,729)	(1,010,582)	(1,401,759)
Item that are or may be subsequently reclassified to profit or loss:				
Foreign exchange differences on translating foreign operations	22,970	(31,811)	(62,887)	(66,716)
Comprehensive loss for the period	(224,945)	(468,540)	(1,073,469)	(1,468,475)
Basic and diluted loss per common share	(0.00)	(0.00)	(0.01)	(0.01)
Weighted average common shares outstanding:				
Basic	132,726,596	132,726,596	132,726,596	132,726,596
Diluted	132,726,596	132,726,596	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)

(Unaudited)

	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	-	-	-	(66,716)	(1,401,759)	(1,468,475)
Balance at June 30, 2019	132,726,596	12,478,950	1,255,829	(162,741)	(17,054,734)	(3,482,696)
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	-	-	-	84,526	(405,977)	(321,451)
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	-	-	-	(62,887)	(1,010,582)	(1,073,469)
Balance at June 30, 2020	132,726,596	12,688,048	1,104,752	(141,102)	(18,388,681)	(4,736,983)

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)

(Unaudited)

	Nine Month Period Ended June 30, 2020	Nine Month Period Ended June 30, 2019
	(\$)	(\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	(1,010,582)	(1,401,759)
Items not affecting cash:		
Amortization	446,892	534,987
Accrued interest expense	189,333	98,812
Unrealized foreign exchange loss (gain)	5,527	(21,553)
Changes in non-cash working capital items:		
Accounts receivable	(7,010)	(82,253)
Prepaid expenses	-	53
Accounts payable and accrued liabilities	106,960	426,865
Deferred revenue	210,523	64,300
Cash used in operating activities	(58,357)	(380,548)
INVESTING ACTIVITIES		
Acquisition of equipment	(1,630)	(1,103)
Intangible asset expenditures	(362,348)	(530,322)
Cash used in investing activities	(363,978)	(531,425)
FINANCING ACTIVITIES		
Proceeds from notes payable	485,556	753,160
Cash provided by financing activities	485,556	753,160
Change in cash during the period	63,221	(158,813)
Cash - beginning of period	25,962	224,571
Cash - end of period	89,183	65,758

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

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Period Ended June 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 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 June 30, 2020, 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. The March 2020 pandemic outbreak of COVID-19 could continue to have a negative impact on the stock markets, affecting trading prices of the Company's shares and its ability to raise new capital. 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 August 27, 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.

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Period Ended June 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.

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

Nine Month Period Ended June 30, 2020*(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:

	June 30, 2020	September 30, 2019
	(\$)	(\$)
Trade receivables	26,673	17,111
VAT recoverable	14,737	15,580
	41,410	32,691

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Period Ended June 30, 2020*(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	1,773
At June 30, 2020	61,132
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	4,170
Foreign exchange	2,295
At June 30, 2020	58,865
Net book value:	
At September 30, 2019	5,239
At June 30, 2020	2,267

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Period Ended June 30, 2020*(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	254,061
Foreign exchange	164,436
At June 30, 2020	3,083,488
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	442,722
Foreign exchange	125,365
At June 30, 2020	2,483,151
Net book value:	
At September 30, 2019	749,927
At June 30, 2020	600,337

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2020	September 30, 2019
	(\$)	(\$)
Trade payables	469,630	709,677
Due to related parties (Note 11)	691,982	369,186
Accrued liabilities	227,209	254,883
	1,388,821	1,333,746

NOTE 9 – NOTES PAYABLE

During the nine-month period ended June 30, 2020, the Company:

- a) received unsecured loans for \$360,556 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 nine-month period ended June 30, 2020.
- b) received interest-free, unsecured loans for \$125,000 from a director of the Company with no fixed re-payment.

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Period Ended June 30, 2020*(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 nine-month period ending June 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	485,556
Re-allocate to short-term loan	(21,875)
Foreign exchange	195
Balance, June 30, 2020	\$ 2,565,545

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	-	189,333	189,333
Reallocated from long-term loan	21,875	-	21,875
Foreign exchange	25,397	3,103	28,500
Balance, June 30, 2020	\$ 468,038	\$ 517,350	\$ 977,009

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Period Ended June 30, 2020*(Expressed in Canadian Dollars)***NOTE 9 – NOTES PAYABLE (continued)**

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

2020	\$	862,301
2021		1,274,579
2022		1,033,308
<u>2023</u>		<u>372,366</u>
	\$	<u>3,542,554</u>

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

Unlimited number of common shares without par value.

Issued share capitalNine-month period ended June 30, 2020

There were no share capital related transactions during the nine-month period ended June 30, 2020.

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 June 30, 2020, 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
<u>Outstanding at September 30, 2019 and June 30, 2020</u>	<u>-</u>	<u>-</u>

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

Nine Month Period Ended June 30, 2020*(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
Issued	4,600,000	0.10
Outstanding at June 30, 2020	13,200,000	0.11
Exercisable at June 30, 2020	6,643,750	0.12

A summary of stock options outstanding as at June 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	1.10
November 29, 2021	200,000	150,000	0.24	1.42
September 27, 2022	800,000	600,000	0.24	2.24
August 29, 2023	7,200,000	5,493,750	0.10	3.16
April 13, 2025	4,600,000	-	0.10	4.79
	13,200,000	6,643,750	0.11	3.59

Nine-month period ended June 30, 2020

During the nine-month period ended June 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.

During the nine-month period ended June 30, 2020, there was no 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 nine-month periods ended June 30, 2020 and 2019:

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Period Ended June 30, 2020*(Expressed in Canadian Dollars)***NOTE 11 – RELATED PARTY TRANSACTIONS (continued)**Key Management Compensation

	2020	2019
	(\$)	(\$)
Management fees paid or accrued to a corporation controlled by the Chief Executive Officer (“CEO”) of the Company.	159,543	45,200
Professional and consulting fees paid or accrued to a corporation controlled by the Chief Financial Officer (“CFO”) of the Company.	54,000	54,000
Management fees paid or accrued to a corporation controlled by the Chief Technology Officer (“CTO”) of the Company.	201,546	56,500
Total	415,089	155,700

As at June 30, 2020, \$691,982 (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 June 30, 2020, \$346,941 (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 nine-month period ended June 30, 2020.

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 effective February 1, 2019, and further increasing to \$8,470 effective February 1, 2020 until the expiration of the underlying head lease on July 31, 2021.

<u>Fiscal Year</u>	<u>Amount</u>
	(\$)
2020	25,410
2021	84,700

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Period Ended June 30, 2020

(Expressed in Canadian Dollars)

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.

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.

MOOVLY MEDIA INC.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Period Ended June 30, 2020*(Expressed in Canadian Dollars)***NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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

	June 30, 2020	September 30, 2019
	(€)	(€)
Cash	57,044	24,561
Accounts receivable	21,138	19,080
Accounts payable and accrued liabilities	(516,512)	(529,431)
Deferred revenue	(379,330)	(238,052)
Interest payable	(40,451)	(30,276)
Loans payable	(300,332)	(300,332)
	<u>(1,158,443)</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 June 30, 2020, a 10% fluctuation to the Euro relative to the Canadian dollar would cause a \$115,800 change to net financial assets.

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

	June 30, 2020	September 30, 2019
Average EUR to CAD	1.4901	1.4969
As at	<u>1.5305</u>	<u>1.4453</u>

NOTE 15 – GEOGRAPHICAL SEGMENTED INFORMATION

As at June 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

	June 30, 2020	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	49,258	157,545
Interest paid during the year	-	-
Income taxes paid during the year	<u>-</u>	<u>-</u>