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**SUBSCRIBE TECHNOLOGIES INC. (formerly “SURREY CAPITAL CORP.”)**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

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**NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Subscribe Technologies Inc. (formerly "Surrey Capital Corp.") ("**Corporation**") have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited interim condensed financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's independent auditor.

**SUBSCRIBE TECHNOLOGIES INC.  
(formerly "SURREY CAPITAL CORP.")**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**MARCH 31, 2017 AND 2016**

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**SUBSCRIBE TECHNOLOGIES INC.**  
**(formerly "SURREY CAPITAL CORP.")**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(All Amounts are in Canadian Dollars)**

**As at** **March 31, 2017**      **June 30, 2016**

**ASSETS**

CURRENT

Cash and cash equivalents	\$ 222,086	\$ 91,882
Receivables (Note 6)	4,658	2,949
Prepaid expenses	<u>5,921</u>	<u>7,515</u>

	232,665	102,346
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Investment in intellectual assets (Note 7)	<u>61,000</u>	<u>1,000</u>
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	<u>\$ 293,665</u>	<u>\$ 103,346</u>
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**LIABILITIES**

CURRENT

Accounts payable and accrued liabilities (Note 8)	<u>\$ 14,402</u>	<u>\$ 41,224</u>
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**SHAREHOLDERS' EQUITY**

SHARE CAPITAL (Note 10)	1,012,196	667,081
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Reserves (Note 11)	96,852	33,381
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ACCUMULATED DEFICIT	<u>(829,785)</u>	<u>(638,340)</u>
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	<u>279,263</u>	<u>62,122</u>
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	<u>\$ 293,665</u>	<u>\$ 103,346</u>
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Nature of Operations (Note 1)

Subsequent Event (Note 15)

Approved on behalf of the board of directors:

**SUBSCRIBE TECHNOLOGIES INC.**  
**(formerly "SURREY CAPITAL CORP.")**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**(All Amounts are in Canadian Dollars)**

	Number of Common Shares	Amount of Common Shares	Reserves	Accumulated Deficit	Shareholders' Equity
Balance, July 1, 2015	27,977,670	\$ 667,081	\$ 33,256	\$ (187,637)	\$ 512,700
Granting of incentive stock options	---	---	125	---	125
Net loss for the period	---	---	---	(443,362)	(443,362)
Balance, March 31, 2016	27,977,670	\$ 667,081	\$ 33,381	\$ (630,999)	\$ 69,463
Balance, July 1, 2016	27,977,670	\$ 667,081	\$ 33,381	\$ (638,340)	\$ 62,122
Shares cancelled (12,000,000)	---	---	---	---	---
Shares issued for intellectual asset	2,000,000	60,000	---	---	60,000
Private placement (net)	9,900,000	285,115	---	---	285,115
Finders' warrants	---	---	5,885	---	5,885
Granting of incentive stock options	---	---	57,586	---	57,586
Net loss for the period	---	---	---	(191,445)	(191,445)
Balance, March 31, 2017	27,877,670	\$ 1,012,196	\$ 96,852	\$ (829,785)	\$ 279,263

**SUBSCRIBE TECHNOLOGIES INC.**  
**(formerly "SURREY CAPITAL CORP.")**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**(All Amounts are in Canadian Dollars)**

	Nine months ended		Three months ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
<b>EXPENSES</b>				
General and administrative	\$ 30,593	\$ 28,517	\$ 18,516	\$ 9,127
Business development	15,801	10,344	15,801	9,374
Consulting	40,000	--	40,000	--
Stock-based compensation	57,586	--	57,586	--
Product development	5,166	7,962	3,780	7,962
Professional fees	43,110	19,521	28,110	--
	<u>192,256</u>	<u>66,344</u>	<u>163,792</u>	<u>26,463</u>
FOREIGN EXCHANGE	--	(233)	--	(95)
INTEREST INCOME	811	29	--	--
INTEREST EXPENSE	--	(675)	--	(577)
WRITE DOWN OF ASSETS	--	(376,139)	--	(376,139)
<b>LOSS AND COMPREHENSIVE LOSS</b>	<u><u>\$ (191,445)</u></u>	<u><u>\$ (443,362)</u></u>	<u><u>\$ (163,792)</u></u>	<u><u>\$ (402,697)</u></u>
<b>LOSS PER COMMON SHARE</b>				
Loss per common share – basic and diluted	<u><u>\$ (0.01)</u></u>	<u><u>\$ (0.02)</u></u>	<u><u>\$ (0.01)</u></u>	<u><u>\$ (0.01)</u></u>
Weighted average number of common shares outstanding – basic and diluted	<u><u>25,751,917</u></u>	<u><u>27,977,670</u></u>	<u><u>19,147,235</u></u>	<u><u>27,977,670</u></u>

**SUBSCRIBE TECHNOLOGIES INC.**  
**(formerly "SURREY CAPITAL CORP.")**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(All Amounts are in Canadian Dollars)**

<b>For the nine months ended,</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (191,445)	\$ (443,362)
Non-cash expenses:		
Non-cash compensation	63,471	125
Non-cash write down	---	376,139
	<u>(127,974)</u>	<u>(67,098)</u>
Net change in operating assets and liabilities:		
Receivables	(1,709)	12,762
Prepaid expenses	1,594	12,987
Accounts payable and accrued liabilities	<u>(26,822)</u>	<u>(48,113)</u>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<u>(154,911)</u>	<u>(89,462)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Investment in intellectual assets (Note 7)	<u>---</u>	<u>(52,006)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<u>---</u>	<u>(52,006)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>285,115</u>	<u>---</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	130,204	(141,468)
<b>CASH AND CASH EQUIVALENTS</b>		
- Beginning of the period	<u>91,882</u>	<u>243,141</u>
<b>CASH AND CASH EQUIVALENTS</b>		
- End of the period	<u>\$ 222,086</u>	<u>\$ 101,673</u>
<b>CASH AND CASH EQUIVALENTS, represented as follows:</b>		
Cash	\$ 222,086	\$ 101,673
Short-term deposit	---	---
<b>SUPPLEMENTAL INFORMATION</b>		
Interest received	\$ ---	\$ 55
Interest paid	---	675
Income taxes paid	---	---
<b>NON-CASH FINANCING ACTIVITY</b>		
Common shares for exploration and evaluation assets (Note 7)	\$ 60,000	\$ ---
Issuance of Warrants	---	---

**SUBSCRIBE TECHNOLOGIES INC.**  
**(formerly "SURREY CAPITAL CORP.")**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
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## **1. Nature of Operations**

### Description of the Business

Subscribe Technologies Inc. (formerly "Surrey Capital Corp.") (the "**Corporation**") was incorporated under the Business Corporations Act (*Ontario*) on September 13, 2010. The business of the corporation is technology and it has one wholly owned subsidiary, Mobilman Management Inc ("**MM**"). MM, whose operations and assets are in Quebec, was incorporated on May 30, 2013. The Corporation's principal offices are located at 700, West Pender Street, Suite 604, Vancouver, BC, V6C 1G8.

Effective June 30, 2015, the Corporation completed a transaction with MM, an entity incorporated under the Canada Business Corporations Act ("**CBCA**"). This transaction was accounted for as a reverse takeover as the control of the Corporation was acquired by the former shareholders of MM. Therefore, these consolidated financial statements include the accounts of the Corporation and its subsidiary, MM. Although legally, Subscribe Technologies Inc. (formerly "Surrey Capital Corp.") ("**Legal Parent**") is regarded as the legal parent or continuing company, MM, whose shareholders now hold more than 50% of the voting shares of the Corporation, is treated as the acquirer under International Financial Reporting Standards ("**IFRS**"). Consequently, the Legal Parent is deemed a continuation of MM and control of the assets and business of Subscribe Technologies Inc. (formerly "Surrey Capital Corp."), is deemed to have been acquired.

These unaudited condensed interim consolidated financial statements of the Corporation were authorized for issue in accordance with a resolution of the directors on May 26, 2017.

These financial statements have been prepared in accordance with IFRS applied on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at March 31, 2017, the Corporation had no sources of positive operating cash flows. The Corporation will therefore eventually require additional funding which, if not raised, would result in the curtailment of activities and delays in its ability in becoming self-sufficient. The Corporation had working capital of \$218,263 as at March 31, 2017, and has incurred losses since inception, resulting in an accumulated deficit of \$829,785 as of that date. The Corporation's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Corporation will be successful in this regard. These material uncertainties may cast significant doubt regarding the Corporation's ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" assumption were not appropriate for these financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary. As an entity with no operations, funding to meet its operating expenses as well as working capital is dependent on the Corporation's ability to issue common shares or borrow funds. There is no certainty that the Corporation will be able to raise sufficient funds beyond this period.

## **2. Basis of Presentation**

### *Statement of Compliance*

*These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.*

*These unaudited condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2016.*



**SUBSCRIBE TECHNOLOGIES INC.**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
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### 3. Summary of Significant Accounting Policies

#### *Basis of Consolidation*

The consolidated financial statements of the Corporation include the accounts of Subscribe Technologies Inc. (formerly "Surrey Capital Corp.") and Mobilman Management Inc. All inter-company transactions have been eliminated.

#### *Basis of Measurement*

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### *Use of Estimates and Judgments*

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in note 4.

#### *Functional and presentation currency*

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

#### *Transactional Costs*

The costs incurred relating to transactional costs are expensed as incurred.

#### *Cash and Cash Equivalents*

Cash and cash equivalents include demand deposits with banks, money market accounts, and other short-term investments with original maturities of 90 days or less.

#### *Intellectual Assets*

The Corporation capitalizes development costs of internally generated assets that meet the criteria for capitalization.

Intangibles are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Amortization on an asset does not begin until the asset is available for usage. Amortization is provided using methods outlined below at rates intended to amortize the cost of intangibles less, their estimated residual values, over their estimated useful lives.

Intangibles	Depreciation Method
Core Software	5 years straight line
Computer software	3 years straight line
Licenses	4 years straight line

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**3. Summary of Significant Accounting Policies - continued**

Intangibles acquired separately

Intangibles with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization rate are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangibles with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangibles

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

An internally-generated intangibles 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:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- 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
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangibles is the sum of the expenditure incurred from the date when the intangibles first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit and loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangibles are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangibles that are acquired separately.

Derecognition of intangibles

An intangible is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible, measured as the difference between the net disposal proceeds and the carrying amount of the intangible, is recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, management reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, management estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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**3. Summary of Significant Accounting Policies - continued**

Intangibles with indefinite useful lives and intangibles not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the profit and loss.

*Impairment of non-financial assets*

The Corporation's assets are reviewed for indications of impairment at each financial reporting date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets the unit on a pro-rata basis.

*Deferred Financing Costs*

Financing costs related to the financings are recorded as deferred financing costs. These costs will be deferred until the financing is completed, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to profit or loss.

Incremental costs incurred in respect of raising capital are charged against equity or debt proceeds raised. Costs associated with the issuance of common shares are charged to share capital upon the raising of equity. Costs associated with the issuance of debt are amortized using the effective interest method over the life of the debt.

***Income Taxes***

Income tax expense comprises current and deferred tax. Income tax is recognized in the profit or loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

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**3. Summary of Significant Accounting Policies - continued**

***Deferred Tax***

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

are generally recognized for all taxable temporary differences; and  
are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets:

are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and  
are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise upon initial recognition of goodwill or arise on initial recognition of assets and liabilities acquired other than in a business combination where at the time of transaction effects neither accounting profit or taxable income (tax loss).

***Earnings (Loss) Per Share***

Earnings (loss) per share is calculated by dividing the net loss applicable to common shares by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is computed by dividing the loss applicable to common shares by the diluted weighted average number of shares which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the period. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation. Any shares or options considered anti-dilutive are not added to the number of shares outstanding.

***Non-derivative Financial Instruments***

Non-derivative financial instruments are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has substantially transferred all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**(All Amounts are in Canadian Dollars)**

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### **3. Summary of Significant Accounting Policies - continued**

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

#### *Fair Value Through Profit or Loss*

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in profit or loss. Gains and losses arising from changes in fair value are included in profit or loss. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

#### *Other Financial Liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

#### *Impairment of financial assets*

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events, which have had a negative effect on the estimated future cash flows of the asset. If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in profit or loss. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in profit or loss.

#### *Fair Value Hierarchy*

The Corporation classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

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### **3. Summary of Significant Accounting Policies - continued**

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As of March 31, 2017 and June 30, 2016, cash and cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

#### *Share-based Payments*

Stock options issued by the Corporation are accounted for in accordance with the fair value based method. The fair value of options issued to directors, officers, employees of and consultants to the Corporation is charged to profit or loss over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to reserves. The historical forfeiture rate is also factored in to the calculations. When options are exercised, the amount received together with the amount previously recorded in reserves, are added to share capital. The fair value of warrants issued to agents in conjunction with a public offering is charged to share issue costs with an offsetting amount recorded to reserves. Fair value is measured using the Black-Scholes option-pricing model.

#### *Equity Instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

#### *Warrants*

The Corporation measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to reserves. The fair value of warrants exercised is recorded as share capital.

#### *Accounting Standards Issued But Not Yet Effective*

The Corporation has reviewed recently issued and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

The final version of IFRS 9 (2014) was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace IAS 39 Financial instruments: recognition and measurement. IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018.

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers, and SIC 31 Revenue – barter transactions involving advertising services.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on its financial statement, but does not anticipate any material impact.

### **4. Summary of Accounting Estimates and Assumptions**

The key sources of estimation uncertainty that have a significant risk of causing adjustment to the amounts recognized in the financial statements are:

#### *Fair Value of Financial Instruments*

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

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**4. Summary of Accounting Estimates and Assumptions - continued**

*Share-Based Payment Transactions*

The Corporation measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 11.

*Income Taxes*

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determinations are made.

**5. Reverse Take-Over of the Corporation**

As a result of the acquisition of MM by the Corporation in June 2015, the former shareholders of Mobilman own 69.78% of the outstanding shares of the Corporation. In accordance with IFRS 3, the substance of this transaction was a reverse take-over of a non-operating company because Subscribe Technologies Inc. (formerly "Surrey Capital Corp.") did not constitute a business prior to the reverse take-over.

Accordingly, the take-over of Subscribe Technologies Inc. (formerly "Surrey Capital Corp."), accounted for under IFRS 2 at the fair value of the equity instruments of the Company granted to the shareholders of MM. The difference between the net assets acquired and the fair value of the consideration granted classified as a share listing expense.

The fair value of the consideration was determined based on the percentage of ownership of Subscribe Technologies Inc. (formerly "Surrey Capital Corp."). have in the combined entity after the reverse take-over. This represented the fair value of the shares that MM would have issued for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of MM acquiring 100% of the shares of the Corporation.

Based on the statements of financial position of Subscribe Technologies Inc. (formerly "Surrey Capital Corp.") at the time of the reverse take-over, the net assets at estimated fair value that were acquired by MM were \$160,326 and the resulting share listing expense was as follows:

	<u>Consideration</u>
Deemed issue of MM shares	<u>\$ 276,591</u>
Identifiable assets acquired net of liabilities	<u>\$ 160,326</u>
Deemed share listing expense	<u>\$ 116,265</u>

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**6. Receivables**

	Mar. 31, 2017	June 30, 2016
HST/GST/QST receivable	\$ 4,658	\$ 2,949
Other	--	--

**7. Investment in Intellectual Asset**

The Corporation has developed the Mobilman application which is a Software-as-Service cloud based solution accessible via secured web portals and mobile devices to help manage an organization's mobile workforce and resources. Due to a lack commercial success, the asset has been written down to \$1,000 as follows:

Balance as of June 30, 2014	\$ 205,132
Additions	<u>120,001</u>
Balance as of June 30, 2015	325,133
Additions	51,843
Write down	<u>(375,976)</u>
Balance June 30, 2016	1,000
Additions	<u>60,000</u>
Balance March 31, 2017	<u>61,000</u>

During the year ended June 30, 2016, the Company reviewed the carrying value of the Mobilman application, which is considered to be a single cash generating unit, for impairment indicators. It was determined that the carrying value of the intellectual property exceeded its recoverable amount and the Corporation wrote off \$375,976. The recoverable amount of the intellectual property was based on the fair value less costs of disposal, as "value in use" was not determinable for a project that is not currently generating any cash flows. The fair value was determined to be \$1,000 as the Company is in ongoing negotiations with third parties to find a potential buyer. The disposal cost of \$nil was determined as there were no physical assets to dispose of and any transaction costs are considered to be nominal.

During the period ended March 31, 2017, the Company acquired a suite of customer relationship management software. The value of these assets was established in an arm's-length negotiation as being \$60,000 to be settled by the issuance of 2,000,000 common shares at an agreed value of \$0.03 per share.

**8. Accounts payable and accrued liabilities**

	Mar. 31, 2017	June 30, 2016
Trade payables	\$14,402	\$ 40,649
Due to related parties	--	575
	<u>\$14,402</u>	<u>\$41,224</u>

**9. Related Party Transactions**

During the 9 months ending March 31, 2017 related party transactions included consulting fees of \$40,000 (2016 - \$nil) and \$nil (2016 - \$600) for office expenses paid to a company owned by an officer of the Company.

As at March 31, 2017 the balance due to related parties recorded in accounts payable is \$575 (June 30, 2017 - \$575).



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**10. Share Capital**

a) Authorized and issued

The Corporation is authorized to issue an unlimited number of common shares and unlimited preferred shares. As at March 31, 2017, there was 27,877,670 (June 30, 2016 – 27,977,670) common shares issued and outstanding.

In December 2016, the Company completed a non-brokered private placement of 6,700,000 common shares for gross proceeds of \$201,000.

In December 2016, the Company issued 2,000,000 valued at \$60,000 for an intellectual asset (note 7).

In January 2017, the Company completed a non-brokered private placement of 3,200,000 common shares for gross proceeds of \$96,000. The Company paid \$6,000 in finder's fees and issued 200,000 common share purchase warrants. Each warrant entitles the holder to purchase one common share at \$0.10 per share for 5 years.

b) Escrow Shares – From Initial Public Offering ("IPO")

All 2,500,000 common shares issued prior to the IPO were deposited with the escrow agent under the escrow agreement.

On March 13, 2013, the legal parent, Subscribe Technologies Inc. (formerly "Surrey"), completed its Qualifying Transaction authorizing beginning of the release of common shares held in escrow in accordance with Policy 2.4 of the Exchange. As of March 31, 2017, all of the common shares placed in escrow have been released.

c) Escrow Shares – From Acquisition of Mobilman Management Inc.

Upon the acquisition of MM by Subscribe Technologies Inc. (formerly "Surrey") on June 30, 2015, all of the securities issued to insiders of the Corporation which were issued for either cash, being 433,350 Common Shares, or for the acquisition of MM, being 18,151,126 Common Shares, were placed in escrow, in accordance with the policies of the Canadian Securities Exchange "**Exchange**"). In addition, of the 18,151,126 Common Shares issued in the transaction to acquire MM, 15 million was issued for the acquisition of MM itself of which 12 million were placed under additional conditions whereby they can only be released upon meeting certain performance targets, which required that the Corporation to file with applicable Canadian securities regulators interim financial statements evidencing positive net income and positive comprehensive income for an interim period after the date of the acquisition of MM. During the period ended March 31, 2017, these shares were cancelled. An additional 2,757,252 common shares were also placed in escrow under the regular Exchange requirements to be released in accordance with the Exchange policies.

As of March 31, 2017, there remains 1,240,763 common shares remained in escrow and are to be released as follows:

Date	
June 30, 2017	413,588
December 30, 2017	413,588
June 30, 2018	413,587

Regarding the 12 million common shares placed in performance escrow, the shares were to have been released in staged amounts. As described in Note 16, on September 23, 2016, the Corporation obtained approval to cancel the 12 million shares under the performance escrow agreement referred to above. These shares were cancelled in October 2016.

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**11. Reserves**

The Corporation's Incentive Stock Option Plan (the "Plan") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Corporation's common shares on the date of the grant to directors, officers, employees and consultants to the Corporation. The option period for options granted under the Plan is for a maximum period of 10 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Corporation at the price specified in the terms of the option.

On January 10, 2017, 1,950,000 stock options to directors, officers and consultants, exercisable at \$0.065 per share, for a five year term.

During fiscal 2016, the fair value of the options granted was based on the Black Scholes option-pricing model using the following assumptions:

Nine months ending March 31, 2017		Year Ending June 30, 2016	
Number of incentive stock options	1,950,000	Number of incentive stock options	25,000
Exercise price	\$0.065	Exercise price	\$ 0.10
Expected life	5 years	Expected life	2.5 years
Weighted average risk-free interest rate	1.65%	Weighted average risk-free interest rate	1.62%
Weighted average expected volatility	227.03%	Weighted average expected volatility	100.0%
Dividend yield	0.0%	Dividend yield	0.0%
Fair value	\$0.03	Fair value	\$0.005

The stock options outstanding are summarized below:

	Number	Price
Balance, June 30, 2016	677,189	\$ 0.10
Addition	1,950,000	\$ 0.065
Balance, March 31, 2017	<u>2,627,189</u>	<u>\$ 0.07</u>

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at March 31, 2017:

Exercise Price	Outstanding			Weighted Average Price	Exercisable Quantity
	Options Outstanding	Expiry Date	Weighted Average Remaining Life		
\$ 0.10	502,189	January 27, 2021	4.35 years	\$0.10	502,189
0.10	150,000	June 3, 2023	6.65 years	0.10	150,000
0.10	25,000	June 18, 2018	1.75 years	0.10	25,000
0.065	1,950,000	January 9, 2022	4.78 years	0.07	1,950,000

There were no warrants issued or outstanding during the preceding periods.

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## **12. Segmented Information**

The Corporation operates in one segment being the development of mobil application technology in one geographic region being Canada.

## **13. Capital Management**

The Corporation manages its common shares, stock options, warrants and accumulated deficit as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk, as there are no external restrictions on it.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets in order to adjust the amount of cash on its balance sheet.

In order to facilitate the management of its capital requirements, the Corporation may prepare expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

Management reviews its approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. The Corporation is not subject to any externally imposed capital restrictions.

## **14. Financial Instruments & Risk Management**

### **Transactional Risk**

The Corporation does not use hedging transactions to manage risk. As a part of the overall operation of the Corporation, management takes steps to avoid undue concentrations of risk. The Corporation manages risk as follows:

### **Liquidity Risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The ability to do this relies on the Corporation raising capital through equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at March 31, 2017, the Corporation had \$222,086 cash and cash equivalents to settle \$14,402 current liabilities (June 30, 2016- \$91,882 cash and cash equivalent to settle \$41,224 of current liabilities). The Corporation is exposed to liquidity risk.

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**14. Financial Instruments & Risk Management – continued**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

The Corporation does not trade in financial instruments and is not exposed to significant interest rate risk for the years presented.

**Market Risk**

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: credit risk, currency risk and other price risk.

**Credit Risk**

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. Balances of cash and cash equivalents in financial institutions may at times exceed the government-insured limits.

As of the date of these financial statements the Corporation's only debtor is the government of Canada for Goods and Sales Tax ("HST") and Government of Quebec for the Quebec Sales Tax ("QST") receivable and therefore the Corporation does not believe it is currently exposed to any significant credit risk.

**Currency Risk**

Currency risk is the risk that changes in exchange rates may have an effect on future cash flows associated with financial instruments. The Corporation does not have any material transactions denominated in foreign currency and is not exposed to material foreign currency risk.

**Other Price Risk**

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Corporation are not exposed to other price risk.

**Fair Values**

Financial instruments include cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to the relatively short-term maturity of these instruments. The Corporation classifies its cash and cash equivalents as financial assets at fair value through profit or loss, receivables as loans and receivables and its accounts payable and accrued liabilities as other financial liabilities.