

SUBSCRIBE TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)

DECEMBER 31, 2017

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. ("**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.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT
(Unaudited - Expressed in Canadian Dollars)

	December 31, 2017	June 30, 2017 (Audited)
ASSETS		
Current		
Cash	\$ 105,256	\$ 134,351
Receivables	11,127	10,137
Prepaid expenses	<u>6,504</u>	<u>6,504</u>
	122,887	150,992
Investment in intellectual assets (Note 4)	<u>61,000</u>	<u>61,000</u>
	<u>\$ 183,887</u>	<u>\$ 211,992</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (Note 5)	<u>\$ 44,774</u>	<u>\$ 46,959</u>
Shareholders' equity		
Share capital (Note 6)	1,012,351	1,012,351
Subscriptions received in advance	150,000	-
Reserves (Note 7,8)	172,222	172,222
Deficit	<u>(1,195,460)</u>	<u>(1,019,540)</u>
	<u>139,113</u>	<u>165,033</u>
	<u>\$ 183,887</u>	<u>\$ 211,992</u>

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Paul Dickson" Director "Harvey Dick" Director

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

SUBSCRIBE TECHNOLOGIES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
EXPENSES				
Consulting fees (Note 11)	\$ 30,000	\$ -	\$ 71,500	\$ -
General and administrative (Note 11)	9,227	2,480	24,202	12,078
Product development	37,817	-	53,334	1,386
Professional fees	<u>26,884</u>	<u>15,000</u>	<u>26,884</u>	<u>15,000</u>
Loss from operations	<u>(103,928)</u>	<u>(17,480)</u>	<u>(1,761,522)</u>	<u>(28,464)</u>
OTHER ITEM				
Interest income	<u>-</u>	<u>-</u>	<u>-</u>	<u>811</u>
Loss and comprehensive loss for the period	<u>\$ (103,928)</u>	<u>\$ (17,480)</u>	<u>\$ (175,920)</u>	<u>\$ (27,653)</u>
Basic and diluted loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding	<u>27,877,670</u>	<u>23,262,877</u>	<u>27,877,670</u>	<u>23,262,877</u>

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

SUBSCRIBE TECHNOLOGIES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited - Expressed in Canadian Dollars)

	<u>Share Capital</u>				Reserves	Deficit	Total Shareholders' Equity
	Common Shares	Amount					
Balance, June 30, 2016	27,977,670	\$ 667,081	\$ 33,256	\$ -	\$ (638,340)	\$ 62,122	
Loss for the period	-	-	-	-	(28,464)	(28,464)	
Balance, December 31, 2016	<u>27,977,670</u>	<u>\$ 667,081</u>	<u>\$ 33,256</u>	<u>\$ -</u>	<u>\$ (666,804)</u>	<u>\$ 33,658</u>	
Balance, June 30, 2017	27,877,670	\$ 1,012,351	\$ 172,222	\$ -	\$ (1,019,540)	\$ 165,033	
Subscriptions received in advance	-	-	-	150,000	-	150,000	
Loss for the period	-	-	-	-	(175,920)	(175,920)	
Balance, December 31, 2017	<u>27,877,670</u>	<u>\$ 1,012,351</u>	<u>\$ 172,222</u>	<u>\$ 150,000</u>	<u>\$ (1,195,460)</u>	<u>\$ 139,113</u>	

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

SUBSCRIBE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31
(Unaudited - Expressed in Canadian Dollars)

	2017	2016
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	\$ (175,920)	\$ (27,653)
Changes in non-cash working capital items:		
Receivables	(990)	(509)
Prepaid expenses	-	1,594
Accounts payable and accrued liabilities	<u>(2,185)</u>	<u>(15,673)</u>
Net cash used in operating activities	<u>(179,095)</u>	<u>(42,241)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Accounts payable and accrued liabilities	<u>150,000</u>	<u>-</u>
Net cash provided by financing activities	<u>150,000</u>	<u>-</u>
Change in cash during the year	(29,095)	(42,241)
Cash, beginning of year	<u>134,351</u>	<u>292,882</u>
Cash, end of year	<u>\$ 105,256</u>	<u>\$ 250,641</u>

Supplemental disclosure with respect to cash flows:

The Company did not incur any interest or tax expenditures for fiscal 2016 and 2017.

During the three months ended December 31, 2017 and 2016, the Company had no non-cash transactions.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Description of the Business

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

Basis of Operations and Going Concern

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“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 September 30, 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 \$78,113 as at December 31, 2017, and has incurred losses since inception, resulting in an accumulated deficit of \$1,195,460 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.

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, 2017.

Approval of the financial statements

The condensed consolidated interim financial statements of the Company for the three months ended December 31, 2017 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 1, 2018.

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary MM. Control exists when the Company possesses power over an investee, has exposures to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All intercompany balances and transactions have been eliminated.

New Accounting Standards

The following new standards and amendments to existing standards were not yet effective for the period ended Septemehr 30, 2017, and have not been applied in preparing these consolidated financial statements. The Company is currently assessing the impact of the new accounting standards on the consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2018

IFRS 9, *Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

IFRS 15, *Revenue from Contracts with Customers*:

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes 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 Service*.

Effective for annual periods beginning on or after January 1, 2019

IFRS 16, *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. At least annually or whenever there is an indicator for impairment management evaluates the recoverable amount. The determination of the recoverable amount requires the use of management's best assessment of the related inputs into the valuation models, such as future cash flows and discount rates. During fiscal 2017, the value of intangible asset additions was based on the value of shares issued in consideration.
- ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iii) Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

4. INVESTMENT IN INTELLECTUAL ASSETS

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.

Balance June 30, 2016	\$	1,000
Additions		<u>60,000</u>
Balance June 30 and Dec. 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 was 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.

SUBSCRIBE TECHNOLOGIES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SIX MONTHS ENDED DECEMBER 31, 2017

(Unaudited - Expressed in Canadian Dollars)

During the year ended June 30, 2017, the Company acquired a suite of customer relationship management software. To acquire the software, the Company issued 2,000,000 common shares, valued at \$60,000. The software was acquired from a director of the Company (Note 11).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31,		June 30,	
	2017		2017	
Accounts payables and accrued liabilities	\$	42,149	\$	44,334
Due to related parties (Note 11)		2,625		2,625
	\$	44,774	\$	46,959

6. SHARE CAPITAL

Authorized: Unlimited common shares without par value

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 4).

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. The Company has estimated the fair value of the finder's warrants to be \$5,730 based on the Black-Scholes option pricing model. The assumptions used for the Black-Scholes valuation of the finder's warrants were as follows: a risk-free interest rate of 1.65%, an expected life of five years, a dividend rate of 0%, forfeiture rate of 0%, and an annualized volatility of 199%.

Escrow Shares

Upon the acquisition of MM by the Corporation 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 could only be released upon meeting certain performance targets, which required 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. 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 December 31, 2017, there remains 413,587 common shares remained in escrow and are to be released on June 30, 2018.

Regarding the 12 million common shares placed in performance escrow, the shares were to have been released in staged amounts. 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.

SUBSCRIBE TECHNOLOGIES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SIX MONTHS ENDED DECEMBER 31, 2017

(Unaudited - Expressed in Canadian Dollars)

7. STOCK OPTIONS

The Company has a rolling stock option plan (the “plan”) that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company’s shares at the date of grant, subject to a minimum exercise price of \$0.10 per share. Options granted under the Plan will have a term not to exceed ten years and be subject to vesting provisions as determined by the board of directors of the Company.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, June 30, 2016	677,189	\$ 0.10
Granted	2,110,000	0.065
Cancelled	<u>(423,611)</u>	0.10
Outstanding and exercisable, June 30 and December 31, 2017	<u>2,363,578</u>	<u>\$ 0.07</u>

The weighted average remaining contractual life of options at period end is 3.86 years (June 30, 2017 – 4.36 years).

During the year ended June 30, 2017, the Company granted 2,110,000 stock options to directors, officers and consultants of the Company. The fair value of the options granted during the period is \$133,111, based on the Black-Scholes option pricing model. The weighted average of the fair value per option was \$0.06.

The following weighted average assumptions were used for the Black-Scholes option pricing model:

	2017
Risk-free interest rate	1.65%
Expected life of options	4.7 years
Annualized volatility	204.49%
Dividend rate	0.00%
Forfeiture rate	0.00%

As at December 31, 2017, the following options were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options
January 27, 2021	\$ 0.10	153,578
January 10, 2022	0.065	1,950,000
May 31, 2019	0.065	160,000
June 23, 2023	0.10	100,000
		<u>2,363,578</u>

SUBSCRIBE TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2017
(Unaudited - Expressed in Canadian Dollars)

8. WARRANTS

The following table summarizes the Company's warrant activities:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, June 30, 2016	-	\$ 0.00
Issued	<u>200,000</u>	0.10
Outstanding, June 30 and December 31, 2017	<u>200,000</u>	\$ 0.10

As at December 31, 2017, the Company had 200,000 warrants exercisable at \$0.10 to December 29, 2021.

9. FINANCIAL INSTRUMENTS AND 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 December 31, 2017, the Corporation had \$105,256 in cash to settle \$44,774 current liabilities. The Corporation is exposed to liquidity risk.

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 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 ("GST") 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.

SUBSCRIBE TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2017
(Unaudited - Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Values

Financial instruments include cash, 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 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.

10. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

	2017	2018
Consulting fees charged by directors and corporations under their control	\$ 63,750	\$ -
General and administrative expense	3,600	-
Total	\$ 67,350	\$ -

Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during the respective years.

- b) Included in accounts payable and accrued liabilities is \$2,625 (June 30, 2017 - \$2,625) due to directors, officers and corporations controlled by directors of the Company. The amount due to the related parties has no specific terms of repayment, is unsecured and non-interest-bearing.

11. CAPITAL MANAGEMENT

The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal as the Company does not generate cash flow from current operations. Accordingly, the Company is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year.

There have been no changes to the Company's approach to capital management during the period.

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED DECEMBER 31, 2017

(Unaudited - Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

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

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company:

- a) Completed a private placement and raised gross proceeds of \$500,000, of which \$150,000 was received prior to December 31, 2017. The Company issued 10 million units at a price of \$0.05 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant can be converted into a common share at a price of \$0.10 for an eighteen month period after the closing. The Company paid cash finder's fees of \$31,200 and issued 624,000 finder's warrants with the same terms in connection with the private placement; and
- b) Granted 1 million stock options to directors, officers and consultants of the Company, exercisable at \$0.18 per share for a three year term.