

SUBSCRIBE TECHNOLOGIES INC.

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

SEPTEMBER 30, 2018

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
 (Expressed in Canadian Dollars)

	September 30, 2018	June 30, 2018
ASSETS		
Current		
Cash	\$ 276,187	\$ 668,368
Receivables	32,620	19,222
Prepaid expenses	<u>106,458</u>	<u>151,458</u>
	415,265	839,048
Investment in intellectual assets (Note 4)	<u>88,389</u>	<u>97,541</u>
	<u>\$ 503,654</u>	<u>\$ 936,589</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (Note 5)	\$ <u>41,539</u>	\$ <u>69,592</u>
Shareholders' equity		
Share capital (Note 6)	2,147,736	2,134,736
Reserves (Note 7,8)	510,441	510,441
Deficit	<u>(2,196,062)</u>	<u>(1,778,180)</u>
	<u>462,115</u>	<u>866,997</u>
	<u>\$ 503,654</u>	<u>\$ 936,589</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 condensed consolidated interim financial statements

SUBSCRIBE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
THREE MONTHS ENDED SEPTEMBER 30
(Unaudited - Expressed in Canadian Dollars)

	2018	2017
EXPENSES		
Business development	\$ 18,365	\$ -
Consulting fees (Note 11)	333,633	41,500
Depreciation (Note 4)	9,152	-
General and administrative (Note 11)	7,572	14,925
Product development	1,527	15,517
Professional fees	47,633	-
Operating loss	(417,882)	(71,942)
Loss and comprehensive loss for the year	\$ (417,882)	\$ (71,942)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding	46,838,280	27,877,670

The accompanying notes are an integral part of these condensed consolidated interim 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, 2017	27,877,670	1,012,351		172,222	(1,019,540)	165,033
Loss for the period	-	-		-	(71,942)	(71,942)
Balance, September 30, 2017	27,877,670	\$ 1,012,351	\$	172,222	\$ (1,091,482)	\$ 93,091
Balance, June 30, 2018	46,838,280	\$ 2,134,736	\$	510,441	\$ (1,778,180)	\$ 866,997
Loss for the period	-	-		-	(417,882)	(417,882)
Exercise of stock options	200,000	13,000		-	-	13,000
Balance, September 30, 2018	47,038,280	\$ 2,147,736	\$	510,441	\$ (2,196,062)	\$ 462,115

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

SUBSCRIBE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED SEPTEMBER 30
(Unaudited - Expressed in Canadian Dollars)

	2018	2017
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	\$ (417,882)	\$ (71,942)
Items not affecting cash:		
Depreciation	9,152	-
Changes in non-cash working capital items:		
Receivables	(13,398)	(690)
Prepaid expenses	45,000	-
Accounts payable and accrued liabilities	<u>(28,053)</u>	<u>(2,185)</u>
Net cash used in operating activities	<u>(405,181)</u>	<u>(74,817)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investment in intellectual asset	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of share capital	<u>13,000</u>	<u>-</u>
Net cash provided by financing activities	<u>13,000</u>	<u>-</u>
Change in cash during the year	(392,181)	(74,817)
Cash, beginning of year	<u>668,368</u>	<u>134,351</u>
Cash, end of year	<u>\$ 276,187</u>	<u>\$ 59,534</u>

Supplemental disclosure with respect to cash flows:

The Company did not incur any interest or tax expenditures for fiscal 2017 and 2018.

During the three months ended September 30, 2017 and 2016, the Company had no non-cash transactions.

The accompanying notes are an integral part of these condensed consolidated interim 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**”) 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, 2018, 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 \$373,726 as at September 30, 2018, and has incurred losses since inception, resulting in an accumulated deficit of \$2,196,062 as of that date. The Company estimates it has sufficient cash to continue operations for the upcoming year. These financial statements do not reflect adjustments that should be necessary if the “going concern” assumption were not appropriate. If the “going concern” were not appropriate for these financial statements, then adjustments to the carrying value of the assets and liabilities and 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, 2018.

Approval of the financial statements

The condensed consolidated interim financial statements of the Company for the three months ended September 30, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 20, 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 year ended June 30, 2018, and have not been applied in preparing these 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*.

The above standards are not expected to have a significant affect other than increased disclosure.

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.

The Company is in the process of assessing the impact of this standard on its financial statements.

2. BASIS OF PRESENTATION (continued)

Critical Accounting Estimates and Judgements

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

3. SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

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

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 and Rate
Core Software	3 years straight line
Computer software	3 years straight line

3. 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.

Internally-generated intangible assets 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 or 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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 profit or 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 on a pro-rata basis.

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THREE MONTHS ENDED SEPTEMBER 30, 2018
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Current Income Tax

Current tax is based on the results for the period and adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and tax laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 techniques 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

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).

For the years presented, cash is measured at fair value and 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Warrants

The Corporation measures the fair value of compensatory 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 compensatory 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. The value of warrants issued in a unit offering is based on the residual value method.

4. INVESTMENT IN INTELLECTUAL ASSETS

The Mobilman application 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 as of June 30, 2016	\$	1,000
Additions		<u>60,000</u>
Balance June 30, 2017		61,000
Additions		48,832
Accumulated amortization		<u>(21,443)</u>
Balance September 30, 2018	\$	<u>88,389</u>

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).

During the year ended June 30, 2018, the Company acquired a tokenized freelancer platform. To acquire the platform, the Company issued 50,000 common shares, valued at \$7,000 and made a payment of \$12,858 (US\$10,000). In addition, during the year ended June 30, 2018, the Company acquired a domain name for \$28,980 (US\$21,500).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30,		June 30,	
	2018		2018	
Accounts payables and accrued liabilities	\$	40,867	\$	56,467
Due to related parties (Note 11)		<u>672</u>		<u>13,125</u>
	\$	<u>41,539</u>	\$	<u>69,592</u>

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6. SHARE CAPITAL

Authorized: Unlimited common shares without par value

In January 2018, the Company completed a non-brokered private placement of 10,000,000 units for gross proceeds of \$500,000. 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 until July 9, 2019. 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. The Company has estimated the fair value of the finder's warrants to be \$99,266 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 1.73%, an expected life of 1.5 years, a dividend rate of 0%, forfeiture rate of 0%, and an annualized volatility of 196%.

In April 2018, the Company completed a non-brokered private placement of 1,000,000 units for gross proceeds of \$150,000. 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 \$0.25 for two years after the closing. The residual value of warrants associated with the unit offering was \$25,000 or \$0.025 per warrant.

In April 2018, the Company issued 50,000 common shares valued at \$7,000 for an intellectual asset (note 4).

In June 2018, the Company completed a non-brokered private placement of 7,500,000 units for gross proceeds of \$600,000. 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 \$0.14 for three years period after the closing. The Company paid cash finder's fees of \$4,400.

During the year ended June 30, 2018, the Company issued 410,610 common shares on the exercise of stock options for gross proceeds of \$30,561.

During the three months ended September 30, 2018, the Company issued 200,000 common shares on the exercise of stock options for proceeds of \$13,000 and cancelled 100,000 stock options.

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.

During fiscal 2018, 827,175 shares were released from escrow. As at September 30, 2018 no shares remained in escrow.

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.

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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, June 30, 2017	2,363,578	0.07
Granted	1,375,000	0.18
Exercised	<u>(410,610)</u>	0.07
Outstanding and exercisable, June 30, 2018	3,327,968	\$ 0.11
Exercised	(200,000)	0.065
Cancelled	<u>(100,000)</u>	0.18
	<u>3,027,968</u>	<u>\$ 0.11</u>

The weighted average remaining contractual life of options at year end is 2.81 years (June 30, 2018 – 3.06 years).

During the year ended June 30, 2018, the Company granted 1,375,000 (2017 – 2,110,000) stock options to directors, officers and consultants of the Company. The fair value of the options granted during the period is \$233,243 (2017 - \$133,111), based on the Black-Scholes option pricing model. The weighted average of the fair value per option was \$0.18 (2017 - \$0.06)

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

	2018	2017
Risk-free interest rate	1.94%	1.65%
Expected life of options	3.0 years	4.7 years
Annualized volatility	196.28%	204.49%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

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7. STOCK OPTIONS (continued)

As at September 30, 2018, the following options were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options
January 27, 2021	\$ 0.10	42,968
January 10, 2022	0.065	1,450,000
May 31, 2019	0.065	160,000
June 23, 2023	0.10	100,000
January 29, 2021	0.18	900,000
March 1, 2021	0.18	375,000
		<u>3,027,968</u>

8. WARRANTS

The following table summarizes the Company's warrant activities:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, June 30, 2017	200,000	\$ 0.00
Issued	<u>19,124,000</u>	0.12
Outstanding, June 30, 2018	19,324,000	0.12
Issued	<u>-</u>	0.12
Outstanding and exercisable, September 30, 2018	<u>19,324,000</u>	\$ 0.12

As at September 30, 2018, the following warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants
December 29, 2021	\$ 0.10	200,000
July 9, 2019	0.10	10,000,000
July 9, 2019	0.10	624,000
April 6, 2020	0.25	1,000,000
June 28, 2021	0.14	7,500,000
		<u>19,324,000</u>

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 September 30, 2018, the Corporation had \$276,187 in cash to settle \$41,539 current liabilities (June 30, 2018 - \$668,368 in cash to settle \$69,592 of 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

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the Corporation are not exposed to other price risk.

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:

	2018	2017
Consulting fees charged by directors and corporations under their control	\$ 44,250	\$ -
General and administrative expense		-
Total	\$ 44,250	\$ -

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 \$672 (June 30, 2018 - \$13,125) due to a corporation controlled by an officer of the Company.
- c) During the year ended June 30, 2017, the Company acquired intellectual assets from a director, by issuing 2,000,000 common shares valued at \$60,000 (Note 4).

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 year.

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12. SEGMENTED INFORMATION

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