

SUBSCRIBE TECHNOLOGIES INC.

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

SEPTEMBER 30, 2019

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 condensed interim consolidated 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 consolidated 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 condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants of Canada (CPA Canada) 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, 2019	June 30, 2019
ASSETS		
Current		
Cash	\$ 83,798	\$ 1,531
Receivables	46,814	41,688
Prepaid expenses	<u>-</u>	<u>-</u>
	130,612	43,219
Investment in intellectual assets (Note 4)	<u>87,836</u>	<u>99,811</u>
	<u>\$ 218,448</u>	<u>\$ 143,030</u>

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current		
Accounts payable and accrued liabilities (Note 5,11)	\$ <u>247,711</u>	\$ <u>196,291</u>
Shareholders' equity (deficiency)		
Share capital (Note 6)	2,409,054	2,186,596
Subscription received (Note 6)	-	6,000
Reserves (Note 7,8)	504,383	497,581
Deficit	<u>(2,942,700)</u>	<u>(2,743,438)</u>
	<u>(29,263)</u>	<u>(53,261)</u>
	<u>\$ 218,448</u>	<u>\$ 143,030</u>

Nature and continuance of operations (Note 1)

Subsequent event (Note 13)

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)

	2019	2018
REVENUE	\$ 3,468	\$ -
EXPENSES		
Advertising and promotion	88,937	261,876
Business development	9,800	18,365
Consulting fees (Note 11)	62,500	71,757
Depreciation (Note 4)	11,975	9,152
General and administrative (Note 11)	3,128	7,572
Product development	967	1,527
Professional fees	25,423	47,633
	<u>(202,730)</u>	<u>(755,004)</u>
Operating loss	(199,262)	(417,882)
Loss and comprehensive loss for the period	\$ (199,262)	\$ (417,882)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.09)
Weighted average number of common shares outstanding	5,278,549	4,683,828

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)

	Share capital					Total
	Common Shares	Amount	Reserves	Subscription Received	Deficit	Shareholders' Equity
Balance at June 30, 2018	4,683,828	\$ 2,134,736	\$ 510,441	\$ -	\$ (1,778,180)	\$ 866,977
Loss for the period	-	-	-	-	(417,882)	(417,882)
Exercise of stock options	20,000	13,000	-	-	-	13,000
Balance at September 30, 2018	4,703,828	\$ 2,147,736	\$ 510,441	\$ -	\$ (2,196,062)	\$ 462,115
Balance at June 30, 2019	4,729,828	\$ 2,186,596	\$ 497,581	\$ 6,000	\$ (2,743,438)	\$ (53,261)
Loss for the period	-	-	-	-	(199,262)	(199,262)
Shares issued for cash	1,074,092	236,300	-	(6000)	-	236,300
Share issue costs-cash	-	(7,040)	-	-	-	(7,040)
Share issue costs-warrants	-	(6,802)	6,802	-	-	-
Balance at September 30, 2019	5,803,920	\$ 2,409,054	\$ 504,383	\$ -	\$ (2,942,700)	\$ (23,263)

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)

	2019	2018
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	\$ (199,262)	\$ (417,882)
Items not affecting cash:		
Depreciation	11,975	9,152
Stock-based compensation	-	-
Changes in non-cash working capital items:		
Receivables	(5,126)	(13,398)
Prepaid expenses	-	45,000
Accounts payable and accrued liabilities	51,420	28,053
Net cash used in operating activities	(140,993)	(405,181)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investment in intellectual asset	-	-
Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of share capital	236,300	-
Subscription received	(6,000)	-
Share options exercised	-	13,000
Share issue costs	(7,040)	-
Net cash provided by financing activities	223,260	13,000
Change in cash during the period	82,267	(392,181)
Cash, beginning of year	1,531	668,368
Cash, end of period	\$ 83,798	\$ 276,187

Supplemental disclosure with respect to cash flows:

The Company did not incur any interest or tax expenditures for fiscal 2019 and 2020

During fiscal 2020, the Company:

- i) issued 32,000 finder's warrants at a value of \$6,802

During fiscal 2019, the Company:

- i) issued 260,000 common shares at a value of \$26,000 for investment in intellectual assets
- ii) transfer from reserves to share capital on exercise of options valued at \$12,860

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

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited - Expressed in Canadian Dollars)

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. 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 consolidated 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. The Corporation will 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 deficiency of \$117,099 as at September 30, 2019, and has incurred losses since inception, resulting in an accumulated deficit of \$2,942,700 as of that date. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. 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, 2019.

Approval of the financial statements

The consolidated financial statements of the Company for the three months ended September 30, 2019 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2019.

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited - Expressed in Canadian Dollars)

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 quarter ended September 30, 2019, and have not been applied in preparing these condensed interim consolidated financial statements.

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 estimates the impact of this standard on its financial statements to be minimal.

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited - Expressed in Canadian Dollars)

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.

<u>Intangibles</u>	<u>Depreciation method and Rate</u>
Core Software	3 years straight line
Computer software	3 years straight line

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited - Expressed in Canadian Dollars)

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 de-recognized 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.

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited - Expressed in Canadian Dollars)

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.

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited - Expressed in Canadian Dollars)

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 warrants or options considered anti-dilutive are not added to the number of shares outstanding.

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

New accounting policies

The Company classifies its' financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company completed an assessment of its financial instruments as at July 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

	Original classification under IAS 39	New classification under IFRS 9
Cash	FVTPL	FVTPL
Receivables	Loans and receivables amortized costs	Amortized costs
Accounts payable and accrued liabilities	Other financial liabilities amortized costs	Amortized costs

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Revenue

Revenue Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized in accordance with IFRS 15 Revenue from Contracts with Customers which specifies how and when to recognize revenue and is based on a five-step model as follows:

- Identify the contract(s) with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognize revenue when or as the Company satisfies performance obligations.

Amounts disclosed as revenue are net of allowances, discounts and rebates.

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.

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited - Expressed in Canadian Dollars)

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 June 30, 2018	\$	97,541
Additions		66,014
Depreciation		(43,892)
Write-off		(19,852)
Balance June 30, 2019	\$	99,811
Additions		-
Depreciation		(11,975)
Balance September 30, 2019	\$	87,836

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).

During the year ended June 30, 2019, the Company acquired a proprietary platform for creating professional live and automated webinar funnels. To acquire the platform, the Company issued 260,000 common shares, valued at \$26,000 and made a payment of \$40,014 (US\$30,000).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019		June 30, 2019	
Accounts payables and accrued liabilities	\$	63,198	\$	58,478
Due to related parties (Note 11)		184,513		137,813
	\$	247,711	\$	196,291

SUBSCRIBE TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited - Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Fiscal 2019 Transactions

In November 2018, the Company issued 260,000 common shares valued at \$26,000 for an intellectual asset (note 4).

During the year ended June 30, 2019, the Company issued 200,000 common shares on the exercise of stock options for proceeds of \$13,000 and cancelled 260,000 stock options.

As at June 30, 2019, the Company has received \$6,000 towards a private placement that closed subsequent to June 30, 2019. (Note 14)

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 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. During fiscal 2019 and at September 30, 2019 no shares remained in escrow.

Fiscal 2020 Transactions

On August 16, 2019 the Company closed a non-brokered private placement of 10,740,909 units at price of \$0.022 per unit, for gross proceeds of \$236,300. Each unit consisted of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.05 per warrant share until August 16, 2020. In connection with the financing, the Company paid financing costs of \$7,040 and issued 320,000 finder’s warrants exercisable into common shares at a price of \$0.05 for a period of one year from the date of issuance. The Company received \$6,000 for the private placement prior to June 30, 2019.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(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 and exercisable, June 30, 2018	332,797	1.10
Exercised	(20,000)	0.65
Cancelled/Expired	(26,000)	1.10
Outstanding and exercisable, September 30, 2018	286,797	1.20
Outstanding and exercisable, June 30, 2019	286,797	\$ 1.20
Exercised	-	-
Cancelled/Expired	-	-
Outstanding and exercisable, September 30, 2019	286,797	\$ 1.20

As at September 30, 2019, the following options were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options
January 27, 2021	\$ 1.00	4,297
January 10, 2022	0.65	145,000
June 23, 2023	1.00	10,000
January 29, 2021	1.80	90,000
March 1, 2021	1.80	37,500
		286,797

All options were cancelled on November 15, 2019, reflect 10:1 share consolidation (Note 13)

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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8. WARRANTS

The following table summarizes the Company's warrant activities:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, June 30, 2018	1,932,400	1.20
Issued	-	1.20
Outstanding, June 30, 2018	1,932,400	1.20
Issued	1,106,091	0.50
Expired	(1,062,400)	1.00
Outstanding and exercisable, September 30, 2019	1,976,091	\$ 0.95

As at September 30, 2019, the following warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants
December 29, 2021	\$ 1.00	20,000
April 6, 2020	2.50	100,000
June 28, 2021	1.40	750,000
August 16, 2020	0.50	1,074,091
August 16, 2020	0.50	32,000
		1,976,091

On November 15, the Company completed share consolidation on the basis of one (1) new common share for every ten (10) old common shares, the above warrants schedule reflects the changes. (Note 13)

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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, 2019, the Corporation had \$83,798 in cash to settle \$244,712 current liabilities. While the Corporation did complete a private placement during quarter ended September 30, 2019 (Note 8), 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 and Government of Quebec for the Quebec Sales Tax 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**

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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 amortized cost and its accounts payable and accrued liabilities as amortized cost. Cash is measured using level 1 of the fair value hierarchy.

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:

	2019	2018
Consulting fees charged by directors, officers and corporations under their control	\$ 62,500	\$ 44,250
General and administrative expense	1,800	-
Total	\$ 64,300	\$ 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 \$184,513 (June 30, 2019 - \$137,813) due to corporation controlled by an officer and a director of the Company.

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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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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.

13. SUBSEQUENT EVENT

Subsequent to quarter end:

- 1) On November 15, 2019, the Company completed a share consolidation on the basis of one (1) new common share for every ten (10) old common shares held (the "Consolidation").

The Consolidation was approved by the board of directors of the Company on November 4, 2019. As a result of the Consolidation, the 58,039,189 common shares which are currently issued and outstanding will be reduced to approximately 5,803,920 common shares. Each fractional common share equal to or greater than 0.5 common shares will be rounded up to the nearest whole common share and each fractional common share less than 0.5 common shares will be rounded down to the nearest whole common share.

- 2) On November 15, 2019, all outstanding stock options were cancelled.