Reliq Health technologies

(Formerly Moseda Technologies Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2017

(Unaudited)

RELIQ HEALTH TECHNOLOGIES INC. (Formerly Moseda Technologies Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

AS AT		March 31, 2017		June 30, 2016
ASSETS				
Current				
Cash	$	163,668	$	445,425
Term deposits		11,500		16,500
Trade and other receivables		213,427		150,499
Prepaid expenses		107,589		138,192
Inventory (Note 6)		3,293		113,462
		499,477		864,078
Property, plant and equipment (Note 7)		-		2,047
Intangible assets		-		-
	$	499,477	$	866,125
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 5)	$	781,910	$	648,439
Loan Payable		161,628		-
Deferred revenue (Note 8)		5,810		7,210
Contingent liabilities (Note 4)		573,476		573,476
		1,522,824		1,229,125
Shareholders' equity (deficiency)				
Share capital (Note 9)		8,659,004		7,835,314
Reserves (Note 9)		1,503,850		1,482,305
Accumulated Deficit		(11,186,201)		(9,680,619)
		(1,023,347)		(363,000)
	$	499,477	$	866,125

Nature of operations and ability to continue as a going concern (Note 1)
Subsequent Events (Note 15)

Approved on behalf of the Board on May 30, 2017:

"Eugene Beukman"
Signed

"Aman Thindal"
Signed

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

RELIQ HEALTH TECHNOLOGIES INC. (Formerly Moseda Technologies Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

For the	Three months period ended March 31, 2017	Three months period ended March 31, 2016	Nine months period ended March 31, 2017	Nine months period ended March 31, 2016
REVENUE				
Royalty revenue	$ $ -	$ 4,660	$ 3,261	$ 13,562
Sales revenue	-	185,363	179,391	517,523
	-			
COST OF SALES	5,000	105,775	144,890	298,482
GROSS PROFIT	(5,000)	84,248	37,762	232,603
EXPENSES				
Amortization and depreciation	-	1,542	2,047	4,627
Advertising and promotion	33,962	80,882	232,768	297,392
Hosting and web fees	69	2,925	359	76,176
Management and consulting fees	67,500	138,886	258,353	567,529
Office and administration	77,521	68,258	190,068	148,002
Professional fees	15,000	851	23,644	60,403
Research and development	194,840	36,116	385,265	234,064
Salaries and Wages	123,750	95,833	383,750	95,833
Share-based payments	-	-	21,545	345,346
Transfer agent	18,223	29,027	45,545	89,648
Travel	-	1,525	-	24,996
	(535,865)	(455,845)	(1,505,582)	(1,944,016)
OTHER				
Gain on write-off of debt	-	-	-	326,920
Foreign exchange gain (loss)	-	(24,449)	-	(13,295)
Loss and comprehensive loss for the period	$ (535,865)	$ (396,046)	$ (1,505,582)	$ (1,397,788)
Basic and diluted loss per common share	$ (0.03)	$ (0.03)	$ (0.03)	$ (0.01)
Weighted average number of common shares outstanding	58,193,113	49,209,963	58,432,406	49,405,175

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

RELIQ HEALTH TECHNOLOGIES INC. (Formerly Moseda Technologies Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)
For the nine-month period ended

	March 31, 2017	March 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (1,505,582)	$ (1,397,788)
Items not affecting cash:		
Amortization	2,047	4,627
Share-based payments	21,545	345,346
Gain on settlement of debt	-	(326,920)
Changes in non-cash working capital items:		
Receivables	(52,928)	(239,318)
Inventory	110,169	-
Deferred revenue	(1,400)	2,282
Due to related parties	-	(165,324)
Loan payable	161,628	-
Term deposit	5,000	-
Prepaid expenses	30,603	227,059
Accounts payable and accrued liabilities	133,471	221,186
	(1,095,447)	(1,328,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of inventory	-	(17,285)
	-	(17,285)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	847,750	1,500,000
Proceeds from stock option exercise	-	65,354
Share issuance costs	(34,060)	(86,773)
	813,690	1,478,581
Change in cash during the period	(281,757)	132,446
Cash, beginning of period	445,425	464,885
Cash, end of period	$ 163,668	$ 546,706

Supplemental disclosure with respect to cash flows (Note 13)

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

RELIQ HEALTH TECHNOLOGIES INC. (Formerly Moseda Technologies Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Share Capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance June 30, 2015	42,440,384	6,274,852	841,902	(6,841,030)	275,724
Private placement	9,500,000	1,500,000	-	-	1,500,000
Acquisition of CareKit (Note 4)	600,000	120,000	788,961	-	908,961
Shares issued on exercise of options	483,137	113,115	(47,761)	-	65,354
Share issuance costs – cash	-	(86,773)	-	-	(86,773)
Share issuance costs – warrants	-	(68,962)	68,962	-	-
Shared-based payments	-	-	345,346		345,346
Net loss for the period	-	-	-	(1,397,788)	(1,397,788)
Balance, March 31, 2016	53,023,521	$ 7,852,232	$ 1,997,410	$ (8,238,818)	$ 1,610,824
Acquisition of CareKit (Note 4)	-	-	(591,721)	-	(591,721)
Shares issued on exercise of options	-	8,210	(8,210)	-	-
Share issuance costs – warrants	-	(25,128)	25,128	-	-
Shared-based payments	-	-	59,698		59,698
Net loss for the period	-	-	-	(1,441,801)	(1,441,801)
Balance, June 30, 2016	53,023,521	7,835,314	1,482,305	(9,680,619)	(363,000)
Private placement	8,333,333	660,000	-	-	660,000
Shares issued on exercise of warrants	1,977,500	197,750	-		197,750
Share issuance costs – cash	-	(25,128)	-	-	(25,128)
Share issuance costs – warrants	-	-	-	-	-
Shared-based payments	-	-	21,545		21,545
Net loss for the period	-	-	-	(1,505,582)	(1,505,582)
Balance, March 31, 2017	63,334,354	$ 8,659,004	$ 1,503,850	$ (11,186,201)	$ (1,014,415)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

RELIQ HEALTH TECHNOLOGIES INC. (formerly Moseda Technologies Inc.) (the “Company”) is a publicly-listed company incorporated in British Columbia with limited liability under the legislation of the province of British Columbia and its shares are listed on the TSX Venture Exchange (the “Exchange”). The Company’s principal business is to develop innovative, secure mobile software solutions for the $20 Billion Community Care market. Reliq’s iUGO Health technology platform is a comprehensive hardware and software solution that allows complex patients to receive high quality care in the home, improving health outcomes, enhancing quality of life for patients & families and reducing the cost of care delivery.

The head office, principal address and the registered records address of the Company is situated at Suite 1128 - 789 West Pender Street, Vancouver, British Columbia.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2017, the Company had not achieved profitable operations, had accumulated a deficit of $11,186,201 (June 30, 2016 - $9,680,619) since inception and expects to incur further operating losses in the development of its business. The Company’s ability to continue as a going concern is dependent upon the ability to find, acquire and develop various businesses with growth potential, its ability to obtain the necessary financing to carry out this strategy and to meet its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. This indicates a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”).

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, the financial statements are prepared using the accrual basis of accounting except for cash flow information. These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

Use of Estimates

The preparation of these condensed consolidated interim 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 year. 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:

2. BASIS OF PREPARATION *(Cont'd…)*

Use of Estimates (Cont'd…)

Critical accounting estimates

i. Share-based payments is 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.

ii. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

iii. Management reviews the useful lives of depreciable assets including property, plant and equipment and customer contracts at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence.

iv. Reliq Health Technologies Inc. completed an RTO with Mobsaftey Inc. on March 27, 2015 and concluded that the transaction did not qualify as a business combination as significant inputs and processes that constitute a business were missing. Refer to Note 4 for additional details.

Critical accounting judgments

i. The determination that the Company will continue as a going concern for the next year.

Comparative Information

These condensed consolidated interim financial statements have been prepared as a continuation of Mobsafety, Inc.'s financial statements and the results of Reliq Health Technologies Inc. have been included in the Company's condensed consolidated interim financial statements subsequent to close of the RTO on March 27, 2015 (Note 4).

3. SIGNIFICANT ACCOUNTING POLICIES

New standard not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended March 31, 2017:

- IFRS 9 — New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets(i)
- IFRS 11 (Amendment) — Amendment to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. (ii)

(i) Effective for annual periods beginning on or after January 1, 2018
(ii) Effective for annual periods beginning on or after January 1, 2016

(Unaudited - Expressed in Canadian Dollars)

4. ACQUISITIONS

MobSafety

On March 27, 2015, the Company and MobSafety completed a Share Exchange Agreement ("SEA") whereby the Company would acquire all of the issued and outstanding shares of MobSafety, being 14,839,133 shares, in consideration for securities of the Company on a 1 for 1.0819 basis. After completion of the SEA, the shareholders of MobSafety held approximately 62% of the Company. Accordingly, MobSafety is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by MobSafety shareholders (the "RTO").

The legal acquisition of MobSafety by the Company constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, Business Combinations. As a result of the RTO, statements of financial position have been adjusted for the elimination of the Company's share capital, reserves and accumulated deficit within shareholders' equity.

As a result of this asset acquisition, a listing expense of $2,060,370 has been recorded. This reflects the difference between the estimated fair value of the MobSafety shares to the Company's shareholders less the net fair value of the assets of the Company acquired.

In accordance with reverse acquisition accounting:

i) The assets and liabilities of MobSafety are included in the statement of financial position at their carrying values;

ii) The net assets of the Company are included at their fair value of $(172,628).

iii) The net assets of the Company have been allocated as follows:

Cash	$	28,231
Prepaid		116,288
Receivables		32,999
Accounts payable and accrued liabilities		(350,146)
Fair value of net liabilities	$	(172,628)

iv) The listing expense of $2,060,370 was determined as follows:

a. Number of Company common shares held by former MobSafety shareholders outstanding prior to the Financing is 16,054,458 or 61.88% of the combined entity.

b. The fair value of MobSafety is $3,210,892, which is based on the Financing price of $0.20 per common share.

c. Number of outstanding shares of the Company prior to the Financing is 9,888,710 or 38.12% of the combined entity.

d. The fair value of the shares issued to acquire the Company under reverse takeover accounting is $1,977,742 calculated as 9,888,710 shares at $0.20 per share.

e. The difference between the fair value of $1,977,742 being the consideration paid, and the estimated fair value of the net liabilities of the Company of $82,628 amounts to a listing expense of $2,060,370.

CareKit Health Corp.

On February 5, 2016, the Company completed the purchase of CareKit Health Corp. ("Carekit") pursuant to the terms of a share exchange agreement between the Company and Carekit. The Company purchased 100% of the outstanding common shares of Carekit in exchange for 600,000 common shares and 9,400,000 share purchase warrants of the Company. The shares will be held in escrow for 18 months from closing. Each warrant is exercisable in to one common share at $0.20 for 3 years from closing, subject to a 2 year vesting schedule based on performance goals.

(Unaudited - Expressed in Canadian Dollars)

4. ACQUISITIONS *(Cont'd…)*

CareKit Health Corp. *(Cont'd…)*

Purchase Price Consideration		
Value of 600,000 common shares and 9,400,000*** share purchase warrants issued	$	908,961
Assets acquired and liabilities assumed		
Intangible assets*		594,534
Trademark**		314,427
	$	908,961

*Intangible assets of $594,534 and other intangible asset of $1,521 associated with Mobsafety were written off during the period ended December 31, 2016.

**Trademark was sold for proceed of $314,427 during the period ended December 31, 2016.

*** Out of 9,400,000 warrants at a fair value of $788,961, 2,350,000 vested warrants at a fair value of $197,240 were allocated to equity and 7,050,000 unvested warrants at a fair value of $591,721 were allocated to contingent liabilities on the statement of financial position on February 5, 2016. As at December 31, 2016, a fair value of 7,050,000 unvested warrants was adjusted to $573,476 with change in contingent liabilities of $18,245 recognized in net loss for the period ended December 31, 2016. Fair values of warrants were established by using the valuation technique, the Black Scholes Option Pricing Model. Assumptions used in the option pricing model were as follows: average risk free interest rate – 0.41% to 0.51%; expected life – 1 years to 3 years; expected volatility – 102.85% to 110.23%; forfeiture rate – 0% and expected dividends – nil.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2017		June 30, 2016
Accounts payable	$	700,232	$	566,761
Accruals		81,678		81,678
	$	781,910	$	648,439

6. INVENTORY

As at March 31, 2017, inventory consists of medical devices purchased by the Company for resale.

(Unaudited - Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

		Equipment
Cost		
Balance, June 30, 2015 and 2016, and March 31, 2017	$	20,543
Accumulated depreciation		
Balance, June 30, 2015		12,327
Additions		4,627
Balance, March 31, 2016		16,954
Additions		1,543
Balance, June 30, 2016		18,497
Additions		2,046
Balance, March 31, 2017		20,543
As at March 31,2016	$	3,589
As at March 31,2017	$	-

8. DEFERRED REVENUE

The Company's deferred revenue at March 31, 2014, 2015 and 2016 are as follows:

	Total
Balance June 30, 2015	6,443
Deferred during the period	1,512
Released to the statement of loss and comprehensive loss	(3,524)
Balance December 31, 2015	4,431
Deferred during the period	17,929
Released to the statement of loss and comprehensive loss	(15,150)
Balance June 30, 2016	7,210
Released to the statement of loss and comprehensive loss	(1,400)
Balance March 31, 2017	5,810

(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common and preferred shares without par value.

During the period ended March 31, 2017, There was no issuance of private placement or stock options.

During the period ended March 31, 2016, the Company completed two brokered private placements by issuing 8,000,000 units at $0.15 per unit and 1,500,000 units at $0.20 per unit, for gross proceeds of $1,200,000 and $300,000,respectively. Each unit consists of one common share and one half of one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company for a period of one year from issuance at an exercise price of $0.25 and $0.26, respectively. The Company recorded cash share issue costs of $86,773 and issued 586,867 agent warrants with a fair value of $68,962 in conjunction with the placement. The agent warrants were valued using the Black-Scholes pricing model with a volatility of 100%, discount rate of 0.50%, expected life of 1 year, and an exercise price of $0.25.

Stock options and warrants

Share purchase warrants and stock option transactions are summarized as follows:

	Share Purchase Warrants		Stock Options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, June 30, 2015	13,139,767	0.33	2,119,722	0.23
Exercised	-	-	(333,137)	0.13
Expired	-	-	(44,350)	0.20
Granted	-	-	(75,900)	1.00
	5,336,867	0.25	2,300,000	0.15
Outstanding, March 31, 2017	18,476,634	0.29	3,966,335	0.21
Exercised	-	-	(110,645)	0.14
Cancelled	-	-	(2,366,340)	0.23
Expired	(2,875,000)	0.35	-	1.00
Granted	9,400,000	0.22	1,300,000	0.15
Outstanding, June 30, 2016	25,001,634	0.25	1,450,000	0.18
Granted	4,166,667	0.10	250,000	0.15
Expired	(8,248,608)	0.35	-	1.00
Exercised	(1,792,500)	0.10	-	-
Outstanding, March 31, 2017	17,091,993	0.22	1,700,000	0.18
Exercisable, March 31, 2017	17,091,993	0.22	1,700,000	0.18

(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES *(cont'd…)*

As at March 31,2017, inventive stock options were outstanding as follows:

	Number	Exercise price	Expiry Date
Stock options	850,000	$ 0.150	August 18, 2017
	500,000	0.250	December 1, 2017
	100,000	0.200	December 30, 2017
	250,000	0.150	
	1,700,000		

As at March 31, 2017, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry Date
Share Purchase Warrants			
	1,789,167	0.10	October 17, 2018
	500,000	0.145	October 17, 2018
	9,400,000	0.20	February 26, 2019
	378,665	0.10	June 30, 2023
	304,284	0.13	March 29, 2022
	205,920	0.23	April 23, 2022
	293,195	0.25	June 30, 2022
	54,095	0.10	June 30, 2024
	4,166,667	0.10	October 17, 2018
	17,091,993		

(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES *(cont'd…)*

Share-based payments

The Company's stock option plan reserves for issuance a maximum number of common shares equal to 10% of the number of issued and outstanding common shares of the Company. The exercise price of each option is to be determined by the Board of Directors, but shall not be less than the discounted market price as defined by the Exchange. The expiry date for each option should be for a maximum term of five years. All options granted vest immediately with the exception of those granted to investor relations consultants, which vest according to Exchange policy.

The fair values of the stock-based compensation were established by using the valuation technique, the Black Scholes Option Pricing Model. Assumptions used in the option pricing model were as follows: average risk free interest rate – 0.41% to 0.82%; expected life – 2 years to 5 years; expected volatility – 119.87% to 126.49%; forfeiture rate – 0% and expected dividends – nil.

Performance shares

On June 27, 2013, the Company received disinterested shareholder approval to amend the milestone dates as below for the allotment of 3,000,000 common shares (the "Performance Shares"), which will become issuable to certain officers, employees and consultants on the achievement by the Company of certain milestone events.

These shares are not considered earned unless the milestones are achieved. The details for amounts and the requisite milestones are as follows:

Number of common shares allotted	Milestone for issuance
1,000,000	Upon the Company generating total revenues of not less than $680,000 on or before twelve (12) months following the RTO
1,000,000	Upon the Company generating total revenues of not less than $5,200,000 on or before twenty-four (24) months following the RTO
1,000,000	Upon the Company generating total revenues of not less than $9,760,000 on or before thirty-six (36) months following the RTO
3,000,000	

To date, no milestones have been reached; therefore no shares have been issued. The progress of the Company's revenue to date has been insufficient to indicate that there is any likelihood of these milestones being achieved. The Company has not recorded any related expense or obligation as of March 31, 2017.

10. RELATED PARTY TRANSACTIONS

The remuneration of the key management personnel, comprised of the directors and officers is as follows:

a) Paid or accrued salaries and wages of $55,000 (2016 - $45,833) to the CEO and director of the Company.

b) Paid or accrued salaries and wages of $45,000 (2016 - $30,000) to the Chief Visionary Officer of the Company.

c) Paid or accrued management and consulting fees of $Nil (2016 - $71,304) to a former director and CEO of the Company.

d) Paid or accrued management and consulting fees of $Nil (2016 - $62,000) to the CFO and director of the Company.

e) Paid or accrued management and consulting fees of $Nil (2016 - $21,778) to the former CFO of the Company.

10. RELATED PARTY TRANSACTIONS (cont'd…)

As at March 31, 2017, included in accounts payable and accrued liabilities is $7,345 (June 30, 2016 - Nil) due to related parties. These amounts are unsecured, non-interest bearing and payable on demand.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are exposed to certain financial risks, including credit risk liquidity risk, and currency risk.

The Company's exposure to these risks and its methods of managing the risks remain consistent. The Company is exposed to the following risks related to financial assets and liabilities:

(a) Currency risk

Currency risk is the risk that variations in exchange rates between U.S. and Canadian currencies will affect the Company's operating and financial results. The Company's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products to customers in foreign currencies and the purchases of hardware from suppliers invoiced in foreign currencies. The Company does not use derivative instruments to reduce its exposure. The company is not currently exposed to currency risk.

(b) Credit risk

Credit risk refers to the potential that a customer or counterparty to a financial instrument will fail to discharge its contractual obligations, and arises principally from the Company's receivables from customers and its cash. The maximum credit risk exposure for these balances is the carrying values of these items.

The Company attempts to mitigate its credit risk over cash by dealing only with large financial institutions with good credit ratings. All of the financial institutions that the Company deals with meet these qualifications.

The Company is exposed to credit risk from customers. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its trade accounts receivable in order to mitigate any possible credit losses.

Allowance for doubtful accounts and past due receivables are reviewed by management at each reporting date.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs. At March 31, 2017, the Company's accounts payable and accrued liabilities were $781,910 (June 30, 2016 - $648,439).

12. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

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

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

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no non-cash transactions during the period ended March 31, 2017

14. SUBSEQUENT EVENTS

Subsequent to March 31, 2017, the Company completed a non-brokered private placement whereby $762,304.97 (of which $161,628 was received during the period ended March 31, 2017) of convertible debentures were issued. The convertible debentures are convertible in to units of the Company at a value of $0.13 per unit consisted of one common share and one half of one share purchase warrant with each whole warrant exercisable at $0.20 for 3 years. The convertible debentures carry interest at 8% per annum. The Company paid finder fees of $15,280 and 350,000 finder warrants exercisable at the same terms as the above.