Reliq Health technologies

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PERIOD ENDED SEPTEMBER 30, 2017

(Unaudited)

(Unaudited - Expressed in Canadian Dollars)

AS AT		September 30, 2017		June 30, 2017
ASSETS				
Current				
Cash	$	83,878	$	487,496
Term deposits		16,500		16,500
Trade and other receivables		34,405		34,405
Prepaid expenses		73,795		163,062
	$	208,578	$	701,463
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current				
Accounts payable and accrued liabilities (Note 5)	$	452,265	$	600,628
Deferred revenue (Note 8)		5,810		5,810
Contingent Liabilities (Note 4)		76,183		76,183
		534,258		682,621
Shareholders' deficiency				
Share capital (Note 10)		10,141,123		10,040,262
Reserves (Note 10)		2,586,656		2,120,317
Accumulated Deficit		(13,053,459)		(12,141,737)
		(325,680)		(18,842)
	$	208,578	$	701,463

Nature of operations and ability to continue as a going concern (Note 1)
Subsequent event (Note 16)

Approved on behalf of the Board on November 29, 2017:

"Eugene Beukman"
Signed

"Aman Thindal"
Signed

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

(Unaudited - Expressed in Canadian Dollars)

For the three months ended September 30	2017	2016
REVENUE		
Royalty revenue	$ -	$ 3,524
Sales revenue	259,106	179,391
	259,106	182,652
COST OF SALES	-	(113,651)
GROSS PROFIT	259,106	69,001
EXPENSES		
Amortization and depreciation	-	1,542
Advertising and promotion	15,009	63,346
Foreign exchange	7,447	-
Management and consulting fees	189,035	91,125
Office and administration	93,148	49,559
Professional fees	5,000	6,437
Research and development	182,598	128,869
Salaries and wages	207,995	130,000
Share-based payments (Note 5)	467,200	21,545
Transfer agent	3,395	19,596
	(1,170,827)	(512,019)
Loss and comprehensive loss for the period	$ (911,721)	$ (443,018)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	76,533,862	50,733,718

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

(Unaudited - Expressed in Canadian Dollars)

For the three months ended September 30		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	(911,721)	$	(443,018)
Items not affecting cash:				
Amortization		-		1,542
Share-based payments		467,200		21,545
Changes in non-cash working capital items:				
Receivables		(243,516)		(16,804)
Inventory		-		110,169
Deferred revenue		-		(1,400)
Prepaid expenses		89,267		36,301
Accounts payable and accrued liabilities		95,153		135,103
		(503,619)		(156,562)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from stock option exercise		30,000		-
Proceeds from warrant exercise		70,000		-
		100,000		-
Change in cash during the period		(403,619)		(156,562)
Cash, beginning of period		487,496		445,425
Cash, end of period	$	83,878	$	288,863

There are no significant non-cash transactions during the period ended September 30, 2017 and 2016.

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

(Unaudited - Expressed in Canadian Dollars)

	Number	Amount	Reserves	Deficit	Total
Balance June 30, 2016	53,023,521	$ 7,835,314	$ 1,482,305	$ (9,680,619)	$ (363,000)
Shared-based payments	-	-	21,545		21,545
Net loss for the period	-	-	-	(443,018)	(443,018)
Balance September 30, 2016	53,023,521	7,835,314	1,503,850	(10,123,637)	(784,473)
Private placement	15,270,533	1,423,092	-	-	1,423,092
Share issuance costs-cash	-	(95,107)	-	-	(95,107)
Share issuance costs-warrants	-	(25,906)	25,906	-	-
Shares issued on exercise of options	100,000	26,453	(11,453)	-	15,000
Shares issued on exercise of warrants	1,877,500	187,750	-	-	187,750
Conversion of convertible	5,863,884	688,666	71,655	-	760,321
Financing cost - warrants	-	-	1,183	-	1,183
Vested warrants	-	-	307,416	-	307,416
Shared-based payments	-	-	221,760	-	221,760
Net loss for the period	-	-	-	(2,018,100)	(2,018,100)
Balance, June 30, 2017	76,135,438	10,040,262	2,120,317	(12,141,737)	(2,461,118)
Shares issued on exercise of warrants	700,000	70,000	-	-	70,000
Shares issued on exercise of options	300,000	30,861	(861)	-	30,000
Shared-based payments	-	-	467,200	-	467,200
Net loss for the period	-	-	-	(911,721)	(911,721)
Balance, September 30, 2017	77,135,438	$ 10,141,123	$ 2,586,656	$ (13,053,458)	$ (325,680)

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. (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 Community Care Market. The Company'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 September 30, 2017, the Company had not achieved profitable operations, had accumulated a deficit of $13,053,458 (June 30, 2017 - $12,141,737) 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:

Critical accounting estimates

i. 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.

2. BASIS OF PREPARATION *(Cont'd…)*

Critical accounting estimates (Cont'd…)

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.

Critical accounting judgments

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

3. SIGNIFICANT ACCOUNTING POLICIES

New standards not yet adopted

IFRS 9 *Financial Instruments (Revised)*

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Partnership's financial instruments has not yet been determined.

IFRS 15 *Revenue from Contracts with Customers*

On May 28, 2014, IFRS 15 was released, replacing IAS 11 *Construction Contracts,* IAS 18 *Revenue* and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchasers. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. There will be no impact on the Partnership's consolidated financial statements.

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. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 on the Company's leases has not yet been determined.

(Unaudited - Expressed in Canadian Dollars)

4. ACQUISITON

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.

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 year ended June 30, 2016.

** Trademark was sold for proceed of $314,427 during the year ended June 30, 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 September 30, 2016, a fair value of 7,050,000 unvested warrants was adjusted to $573,476. 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.

(Unaudited - Expressed in Canadian Dollars)

5. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common and preferred shares without par value.

During the period ended September 30, 2017, the Company:

a) Issued 700,000 common shares due to the exercise of 700,000 warrants at $0.10; and

b) Issued 300,000 common shares due to the exercise of 300,000 stock options at $0.10.

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, 2016	25,001,634	0.25	1,450,000	0.18
Expired	(5,366,867)	0.26	-	-
Granted	-	-	250,000	0.15
Outstanding, September 30, 2016	19,634,767	0.25	1,700,000	0.18
Exercised	(1,877,500)	0.10	(100,000)	0.15
Expired	(8,998,608)	0.29	-	-
Granted	11,158,580	0.15	3,900,000	0.12
Outstanding, June 30, 2017	19,917,239	0.18	5,500,000	0.14
Exercised	(700,000)	0.10	(300,000)	0.10
Granted	-	-	3,200,000	0.15
Expired	-	-	(750,000)	0.15
Outstanding, September 30, 2017	19,217,239	0.18	7,650,000	0.14

(Unaudited - Expressed in Canadian Dollars)

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

As at September 30, 2017, inventive stock options were outstanding as follows:

	Number		Exercise price	Expiry Date
Stock options	500,000	$	0.250	December 1, 2017
	100,000		0.200	December 30, 2017
	250,000		0.150	July 28, 2018
	2,200,000		0.100	October 6, 2021
	200,000		0.105	October 11, 2021
	200,000		0.130	May 1, 2022
	1,000,000		0.150	May 3, 2022
	3,200,000		0.150	September 12, 2022
	7,650,000			

As at September 30, 2017, share purchase warrants were outstanding as follows:

	Number		Exercise price	Expiry Date
Share Purchase Warrants				
	1,089,166	$	0.100	October 17, 2018
	500,000		0.145	October 17, 2018
	9,400,000		0.200	February 26, 2019
	378,665		0.100	June 30, 2023
	304,284		0.130	March 29, 2022
	205,920		0.230	April 23, 2022
	293,195		0.250	June 30, 2022
	54,095		0.100	June 30, 2024
	36,400		0.200	April 21, 2018
	2,931,938		0.200	June 15, 2020
	4,023,576		0.165	June 21, 2019
	19,217,239			

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.

During the period September 30, 2017 the Company granted 3,200,000 (2016 – 250,000) options and recorded a share-based payment expense of $467,200 (2016 - $21,545). 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 – 1% (2016 – 0.41% to 0.82%); expected life – 5 years (2016 – 2 years to 5 years); expected volatility – 88.20% (2016 – 119.87% - 126.49%); forfeiture rate – 0% (2016 – 0%) and expected dividends – nil (2016 – nil).

6. RELATED PARTY TRANSACTIONS

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

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

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

Paid or accrued management and consulting fees of $30,000 (2016 - $30,000) to the CFO and director of the Company.

Paid or accrued management and consulting fees of $3,600 (2016 - $ Nil) to the former CFO of the Company

7. 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 September 30, 2017, the Company's accounts payable and accrued liabilities were $452,265 (June 30, 2017 - $600,628).

8. 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 period.

9. SUBSEQUENT EVENT

Subsequent to September 30, 2017:

a) On November 2, 2017, the Company completed a $5,000,000 brokered private placement by issuing 12,500,000 units at a price of $0.40 per unit. Each unit consisted of one common share and one-half of warrant, one full warrant can purchase one common share at $0.60. In relation to the financing, the Company issued 625,000 units, 850,000 warrants both with the same terms as above and paid $340,000 in finder fees; and

b) Issued 75,000 stock options with an exercise price of $0.44 exercisable until November 2, 2022.