



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PERIOD ENDED DECEMBER 31, 2017

(Unaudited)

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

December 31, 2017

(Unaudited - Expressed in Canadian Dollars)

AS AT	December 31, 2017	June 30, 2017
ASSETS		
Current		
Cash	\$ 3,309,906	\$ 487,496
Term deposits	16,500	16,500
Trade and other receivables (Note 5)	861,129	34,405
Prepaid expenses	256,775	163,062
	<u>\$ 4,444,310</u>	<u>\$ 701,463</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 274,198	\$ 600,628
Deferred revenue	5,810	5,810
Contingent Liabilities (Note 4)	76,183	76,183
	<u>356,191</u>	<u>682,621</u>
Shareholders' deficiency		
Share capital (Note 6)	14,836,605	10,040,262
Reserves (Note 6)	3,227,335	2,120,317
Accumulated Deficit	(13,975,821)	(12,141,737)
	<u>4,088,119</u>	<u>18,842</u>
	<u>\$ 4,444,310</u>	<u>\$ 701,463</u>

Nature of operations and ability to continue as a going concern (Note 1)**Subsequent events (Note 10)**

Approved on behalf of the Board on March 1, 2018:

"Amandeep Thindal"

Signed

"Eugene Beukman"

Signed

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

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

December 31, 2017

(Unaudited - Expressed in Canadian Dollars)

For the	Three months period ended December 31, 2017	Three months period ended December 31, 2016	Six months period ended December 31, 2017	Six months period ended December 31, 2016
REVENUE				
Royalty revenue	\$ -	\$ -	\$ -	\$ 3,261
Sales revenue	878,205	-	1,137,311	179,391
	878,205	-	1,137,311	182,652
COST OF SALES	246,963	26,239	246,963	139,890
GROSS PROFIT	631,242	(26,239)	890,348	42,762
EXPENSES				
Amortization and depreciation	-	505	-	2,047
Advertising and promotion	173,471	135,460	188,480	198,806
Management and consulting fees	203,398	99,728	392,433	190,853
Office and administration	137,745	63,278	230,893	112,837
Professional fees	115,949	2,207	120,949	8,644
Research and development	430,767	61,556	613,365	190,425
Salaries and wages	261,742	130,000	469,737	260,000
Share-based payments	185,522	-	652,722	21,545
Transfer agent	47,213	7,726	50,608	27,322
	(1,555,807)	(500,460)	(2,719,187)	(1,012,479)
OTHER				
Foreign exchange (loss) gain	2,203	-	(5,245)	-
Loss and comprehensive loss for the period	\$ (922,362)	\$ (526,699)	\$ (1,834,084)	\$ (969,717)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding	82,155,607	51,964,187	81,871,007	71,771,889

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RELIQ HEALTH TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited - Expressed in Canadian Dollars)

For the six months ended December 31	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (1,834,084)	\$ (969,717)
Items not affecting cash:		
Amortization	-	2,047
Share-based payments	652,722	21,545
Changes in non-cash working capital items:		
Receivables	(826,724)	4,958
Inventory	-	110,169
Deferred revenue	-	(1,400)
Term deposit	-	5,000
Prepaid expenses	(93,713)	(62,453)
Accounts payable and accrued liabilities	(326,430)	63,273
	<u>(2,428,229)</u>	<u>(826,578)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	5,000,000	660,000
Proceeds from stock option exercise	190,250	-
Proceeds from warrant exercise	400,389	-
Share issuance costs	(340,000)	(34,060)
	<u>5,250,639</u>	<u>625,940</u>
Change in cash during the period	2,822,410	(250,638)
Cash, beginning of period	487,496	445,425
Cash, end of period	\$ 3,309,906	\$ 244,747

There are no significant non-cash transactions during the period ended December 31, 2017 and 2016.

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

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(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)
Private Placement	8,333,333	660,000	-	-	660,000
Share issuance costs	-	(34,060)	-	-	(34,060)
Shared-based payments	-	-	21,545	-	21,545
Net loss for the period	-	-	-	(969,717)	(969,717)
Balance December 31, 2016	61,356,854	8,461,254	1,503,850	(10,650,336)	(685,232)
Private placement	6,937,200	763,092	-	-	763,092
Share issuance costs-cash	-	(61,047)	-	-	(61,047)
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	-	-	-	(1,491,401)	(1,491,401)
Balance, June 30, 2017	76,135,438	10,040,262	2,120,317	(12,141,737)	18,842
Private placement	12,500,000	5,000,000	-	-	5,000,000
Share issuance costs-shares	625,000	(340,000)	-	-	(340,000)
Share issuance costs-warrants	-	(456,881)	456,881	-	-
Shares issued on exercise of warrants	2,679,027	370,388	-	-	370,388
Shares issued on exercise of options	1,750,000	222,836	(2,586)	-	220,250
Shared-based payments	-	-	652,722	-	652,722
Net loss for the period	-	-	-	(1,834,084)	(1,834,084)
Balance, December 31, 2017	93,689,465	\$ 14,836,605	\$ 3,227,334	\$ (13,975,821)	\$ 4,088,118

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RELIQ HEALTH TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited - Expressed in Canadian Dollars)

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 810 - 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 December 31, 2017, the Company had not achieved profitable operations, had accumulated a deficit of \$13,975,821 (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.

RELIQ HEALTH TECHNOLOGIES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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.

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4. ACQUISITION*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
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Assets acquired and liabilities assumed

Intangible assets*	594,534
Trademark**	314,427
	<u>\$ 908,961</u>

* 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.

5. TRADE AND OTHER RECEIVABLE

Included in trade and other receivables are sales of \$826,665 (2016 - \$34,405).

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6. SHARE CAPITAL AND RESERVES**Authorized share capital**

Unlimited number of common and preferred shares without par value.

During the period ended December 31, 2017, the Company:

- a) Issued 2,679,026 common shares due to the exercise of 2,679,026 warrants at \$0.14;
- b) Issued 1,750,000 common shares due to the exercise of 1,750,000 stock options at \$0.165; and
- c) Issued 12,500,000 common shares at a price of \$0.40 per unit, each unit consists one common share and half of one common share purchase warrant for a period of two years at a price of \$0.60 per warrant share. The Company paid \$340,000, issued 625,000 units to the agents, and issued 850,000 warrants. The fair values \$456,881 of the finder's warrants were established by using the valuation technique, the Black Scholes Warrants Pricing Model. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.95% (2016 – 0.41% to 0.82%); expected life – 2 years (2016 – 2 years to 5 years); expected volatility – 94.45% (2016 – 119.87% - 126.49%); forfeiture rate – 0% (2016 – 0%) and expected dividends – nil (2016 – nil).

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
Granted	4,166,667	0.10	250,000	0.15
Outstanding, December 31, 2016	29,168,301	0.22	1,700,000	0.18
Exercised	(1,877,500)	0.10	(100,000)	0.15
Expired	(14,365,475)	0.29	-	-
Granted	6,991,913	0.15	3,900,000	0.12
Outstanding, June 30, 2017	19,917,239	0.18	5,500,000	0.14
Exercised	(2,679,026)	0.14	(1,750,000)	0.13
Granted	7,837,500	1.04	3,475,000	0.205
Expired	-	-	(1,200,000)	0.15
Outstanding, December 31, 2017	25,075,713	0.564	6,025,000	0.17

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Stock options and warrants (cont'd...)

As at December 31, 2017, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry Date
Stock options			
	250,000	0.150	July 28, 2018
	1,000,000	0.100	October 6, 2021
	100,000	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
	75,000	0.440	November 2, 2022
	<u>200,000</u>	1.000	December 14, 2019
	6,025,000		

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

	Number	Exercise price	Expiry Date
Share Purchase Warrants			
	8,625,000	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
	135,000	0.100	October 17, 2018
	500,000	0.145	October 17, 2018
	2,718,478	0.200	June 15, 2020
	4,023,576	0.165	June 21, 2019
	6,562,500	0.600	November 2, 2019
	850,000	0.400	November 2, 2019
	<u>425,000</u>	0.600	November 2, 2019
	25,075,713		

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 December 31, 2017 the Company granted 3,475,000 (2016 – 250,000) options and recorded a share-based payment expense of \$652,722 (2016 - \$21,545). The fair values \$467,200 of the stock-based compensation of 3,200,000 options 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 – 88.57% (2016 – 119.87% - 126.49%); forfeiture rate – 0% (2016 – 0%) and expected dividends – nil (2016 – nil).

6. SHARE CAPITAL AND RESERVES (cont'd...)**Stock options and warrants (cont'd...)**

The fair values \$29,898 of the stock-based compensation of 75,000 options 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 – 1.95% (2016 – 0.41% to 0.82%); expected life – 5 years (2016 – 2 years to 5 years); expected volatility – 91.52% (2016 – 119.87% - 126.49%); forfeiture rate – 0% (2016 – 0%) and expected dividends – nil (2016 – nil).

The fair values \$155,624 of the stock-based compensation of 200,000 options 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 – 1.95% (2016 – 0.41% to 0.82%); expected life – 2 years (2016 – 2 years to 5 years); expected volatility – 116.55% (2016 – 119.87% - 126.49%); forfeiture rate – 0% (2016 – 0%) and expected dividends – nil (2016 – nil).

7. 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 \$110,000 (2016 - \$110,000) to the CEO and director of the Company.
- b) Paid or accrued salaries and wages of \$90,00 (2016 - \$90,000) to the Chief Visionary Officer of the Company.
- c) Paid or accrued management and consulting fees of \$60,000 (2016 - \$30,000) to the CFO and director of the Company.

8. 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.

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8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**(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 December 31, 2017, the Company's accounts payable and accrued liabilities were \$274,198 (June 30, 2017 - \$600,628).

9. 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.

10. SUBSEQUENT EVENTS

Subsequent to December 31, 2017:

- a) The Company completed a \$10,000,000 brokered private placement by issuing 8,928,571 units at a price of \$1.12 per unit. Each unit consisted of one common share and one-half of warrant, one full warrant can purchase one common share at \$1.75. In relation to the financing, the Company issued 446,428 units, 714,285 warrants both with the same terms as above and paid \$800,000 in finder fees; and
- b) The Company issued 1,250,000 stock options with an exercise price of \$1.12 exercisable until January 10, 2023.