



**MANAGEMENT DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2018**

*Set out below is a review of the activities, results of operations and financial condition of Reliq Health Technologies Inc. ("RHT", "Reliq", or the "Company") for the year ended June 30, 2018. The discussion below should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2018. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at **October 29, 2018**. The Company is a reporting issuer in the provinces of British Columbia, and Alberta in Canada and is listed on the TSX Venture under the symbol RHT. Additional information related to the Company, is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

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## **1. BACKGROUND AND CORE BUSINESS**

Reliq Health Technologies Inc. is a healthcare technology company that specializes in developing innovative software solutions for the Community Care market. Reliq's powerful iUGO Care platform supports care coordination and community-based healthcare. The iUGO Care platform integrates wearables, sensors, voice technology and intuitive mobile apps and desktop user interfaces for patients, clinicians and healthcare administrators. iUGO Care allows complex patients to receive high quality care at home, improving health outcomes, enhancing quality of life for patients and families and reducing the cost of care delivery. Our platform provides real-time access to remote patient monitoring data, allowing for timely interventions by the care team to prevent costly hospital readmissions and ER visits. Reliq Health Technologies trades on the TSX Venture under the symbol RHT and on the OTCQB as RQHTF.

The Company was incorporated on September 1, 2005 pursuant to the provisions of the *Business Corporations Act* (British Columbia).

## **2. COMPANY HIGHLIGHTS**

During the quarter ended June 30, 2018 and subsequent:

- The Company made the decision that due to the timing and uncertainty of receiving revenue invoiced to clients, no revenue would be reported for the 3 months ended June 30, 2018 (Q4 Fiscal 2018) and that the Company would be recognizing a bad debts expense during the period which totalled \$1,137,170.
- The Company announced that effective immediately, the Chief Visionary Officer Mr. Giancarlo De Lio is no longer employed by the Company.
- The Company placed an order for 27,500 blood glucose and blood pressure monitoring devices to address the hardware availability issues faced by its iUGO Care customers. The Company has received over half of the devices at the time of this MD&A.
- The Company was selected by Premier Health Group Inc. as its exclusive technology partner. Reliq will be providing Premier's HealthVue primary care clinics with a HealthVue-branded telemedicine, remote monitoring and AI solution for its clinical staff and more than 100,000 active patients.
- The Company has signed an agreement to conduct a three-month paid pilot of its iUGO Care remote patient monitoring platform with the Royal Flying Doctor Service Central Operations (RFDS) in Australia, beginning this Fall. In 2017 over 336,000 patient encounters occurred through RFDS primary health clinics, aeromedical transports and telehealth consultations. The challenges of health access outside Australia's cities make the RFDS vital to those who live, work and travel in rural and remote Australia.
- The Company's remote patient monitoring solution for diabetes patients with Sioux Lookout Meno Ya Wen Health Centre in Sioux Lookout, ON will be significantly expanded thanks to funding provided to SLMHC by the First Nations and Inuit Health Branch at Indigenous Services Canada.

### 3. SELECTED FINANCIAL INFORMATION

The following table sets forth selected audited financial information of the Company from the last three completed financial years in Canadian dollars:

|                                  | 2018         | 2017        | 2016        |
|----------------------------------|--------------|-------------|-------------|
| <b>Balance Sheet Items</b>       |              |             |             |
| Cash                             | 9,800,92     | 487,496     | 445,425     |
| Current Assets                   | 12,362,622   | 701,463     | 864,078     |
| Total Assets                     | 12,362,622   | 701,463     | 866,125     |
| Liabilities                      | 531,211      | 682,621     | 1,229,125   |
| <b>Financial Results</b>         |              |             |             |
| Revenue                          | 2,269,481    | 183,652     | 536,197     |
| Cost of sales                    | (1,122,832)  | (148,183)   | (312,475)   |
| Gross Profit                     | 1,146,649    | 34,469      | 223,722     |
| Expenses                         | (13,799,326) | (2,836,127) | (2,650,850) |
| Other                            | (1,143,874)  | 340,540     | (412,461)   |
| Net loss for the year            | (13,796,551) | (2,461,118) | (2,839,589) |
| Basic and diluted loss per share | (0.14)       | (0.04)      | (0.06)      |

#### 3.1 Results of Operations for the year ended June 30, 2018 compared to 2017

The loss for the year increased to \$13,796,551 (2017 – \$2,461,118). Individual items contributing to this increase in the net loss are as follows:

- Non-cash share-based payments increased to \$7,928,940 (2017 - \$243,305) as the Company issued stock options at a higher exercise price during the year as compared to the prior year. In addition, the Company issued more share-based payments to consultants during the year in an effort to preserve its cash balances.
- Advertising and promotion increased to \$381,681 (2017 - \$311,497) primarily due to the company incurring increased travel expenses as the company continued to expand its operations outside of Canada.
- Professional fees increased to \$123,305 (2017– \$9,430) as the Company incurred increased legal fees associated with the closing of two brokered private placements in fiscal 2018.
- Management and consulting fees increased to \$1,785,321(2017 - \$630,145) as the Company increased its expenditures on consultants to help with business development.
- Research and development increased to \$1,420,806 (2017 - \$719,414) as the Company continued to focus on the development of its platform and hired additional programmers to help decrease the development timeline.
- Transfer agent fees increased to \$156,576 (2017 - \$64,835) as the Company incurred increased fees associated with the two brokered private placements completed in fiscal 2018.

- Salaries and wages increased to \$1,339,229 (2017 - \$566,583) as the Company hired additional staff related to product development and marketing.
- In an effort to be prudent, the Company made the decision to recognize bad debts of \$1,137,170 (2018 - \$Nil) as the Company could not be reasonably assured on the total value of the accounts receivable that would be collected.

### 3.2 Cash flows for the year ended June 30, 2018 compared to 2017

Cash outflows from operating activities increased to \$8,151,099 (2017 – \$2,235,689) primarily as a result of research and development, salaries and wages, and management and consulting fees related to the development of the iUGO Care platform.

Cash outflows from investing activities of \$106,500 (2017 – \$ Nil) as the Company purchased term deposits as security for corporate credit cards.

Cash inflows from financing activities increased to \$17,571,025 (2017 - \$2,277,760) primarily as a result of the Company's ability to successfully raise funds through two brokered private placements in fiscal 2018 (\$15,000,000), as well as the exercise of options (\$927,500) and warrants (\$2,880,018) throughout the year.

### 3.3 Summary of quarterly results

|                                                     | 2018         |             |           |           | 2017      |           |           |           |
|-----------------------------------------------------|--------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                                     | Q4           | Q3          | Q2        | Q1        | Q4        | Q3        | Q2        | Q1        |
| Net Sales                                           | -            | 1,132,170   | 878,205   | 259,106   | 110,390   | -         | -         | 69,001    |
| Net income (loss)                                   | (8,090,207), | (3,872,261) | (922,362) | (911,721) | (955,536) | (535,865) | (526,699) | (443,018) |
| Basic and diluted<br>Net Income<br>(Loss) per share | (0.08)       | (0.04)      | (0.01)    | (0.01)    | (0.02)    | (0.03)    | (0.01)    | (0.01)    |

### 3.4 Loss for the three-month period ended June 30, 2018 compared to 2017

The loss for the period increased to \$8,090,207 (2017 – \$955,536). This is principally due to the Company not recording any revenue for the fiscal quarter, a non-cash share-based payment adjustment of \$2,617,115, an increase in research and development costs, salaries and wages, and consultant fees as compared to the prior year.

### 3.5 Financial Position

Cash balance increased to \$9,800,922 (June 30, 2017 - \$487,496) primarily due the Company being able to successfully raise funds through the closing of two brokered private placements during the fiscal year.

The Company made the decision to recognize bad debts of \$1,137,170 (2017 - \$Nil) as the Company could not be reasonably assured on the total value of the accounts receivable that would be collected.

Prepaid expenses increased to \$2,404,295 (June 30, 2017 - \$163,062) primarily due to a deposit paid for blood glucose and blood pressure monitoring devices being ordered by the Company.

Accounts payable and accrued liabilities decreased to \$531,211 (June 30, 2017 - \$600,628) as the Company paid and settled payables during the year.

Contingent liabilities decreased to \$Nil (June 30, 2017 - \$76,183) from the fair value calculation of Nil unvested warrants issued by the Company on the acquisition of Carekit.

Share capital increased to \$28,719,049 (June 30, 2017 - \$10,040,262) from the completion of private placements totaling \$15,000,000 and conversion of options (\$927,500) and warrants (\$2,880,018).

#### **4. LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2018, the Company had working capital of \$11,831,411 including cash of \$9,800,922 as compared to working capital of \$18,842, including cash of \$487,496 at June 30, 2017.

#### **5. OUTSTANDING SHARE DATA**

At the date of this MD&A the Company had 116,435,238 issued and outstanding common shares, 7,675,000 outstanding stock options and 21,944,615 outstanding share purchase warrants.

#### **6. OFF BALANCE SHEET ARRANGEMENTS**

At June 30, 2018, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

#### **7. PROPOSED TRANSACTIONS**

There are no proposed transactions at the date of this report that have not been disclosed.

#### **8. SUBSEQUENT EVENTS**

Subsequent to the year ended June 30, 2018, the Company had:

- 250,000 options at \$0.15 were exercised for gross proceeds of \$37,500.
- 25,000 options at \$0.15 were exercised for gross proceed of \$3,750
- 150,000 options at \$1.38 were exercised for gross proceed of \$207,000.
  
- 50,000 warrants at \$0.10 were exercised for gross proceeds of \$5,000
- 1,823,700 warrants at \$0.20 were exercised for gross proceeds of \$364,740
- 206,250 warrants at \$0.60 were exercised for gross proceeds of \$123,750

The Company is aware of a claim brought in the Northern District of Texas against the Company for breach of contract. As at the date of these consolidated financial statement, the Company is contesting the jurisdiction of the court proceedings and has not filed a defense to the claim. The Company cannot access the possible outcome from this claim but is of the opinion that this claim is of no merit.

#### **9. 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 \$220,000 (2017 - \$220,000) to the CEO and director of the Company.
- b) Paid or accrued salaries and wages of \$188,333 (2017 - \$172,500) to the Chief Visionary Officer of the Company.
- c) Paid or accrued management and consulting fees \$66,900 (2017 - \$36,000) to a company owned by a director of the Company.

- d) Paid or accrued management and consulting fees of \$120,000 (2017 - \$120,000) to the CFO and director of the Company.

As at June 30, 2018, included in accounts payable and accrued liabilities is \$10,500 (2017 - \$90,086) due to related parties. These amounts are unsecured, non-interest bearing and payable on demand.

## 10. CRITICAL ACCOUNTING ESTIMATES

### *Critical accounting estimates*

- i. Share-based payments and fair value adjustment to contingent liability are subject to estimation of the value of the award and warrants at the date of grant and measurement date 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.

### *Critical accounting judgments*

- i. The determination that the Company will continue as a going concern for the next year.
- ii. The revenue recognition of sale revenue.
- iii. The determination of related parties.

## 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 June 30, 2018 the Company's accounts payable and accrued liabilities were \$531,211 (2016 - \$600,628).

**12. RISK FACTORS**

Prior to making an investment decision investors should consider the investment risks set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company consider the risks set out below to be the most significant to potential investors in the Company, but are not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware, or which they consider not to be material in relation to the business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

*Financial Condition, Liquidity, and Requirements Outlook*

The Company's cash balance and working capital position are able to sustain the Company's existing operations.

*Major Contracts*

The Company has and may enter into major contracts that are complex and have several delivery milestones. These contracts are often subject to delay, change, revision and renewal. There is no guarantee that the Company can complete all activities on time and on budget and that the funding available will be adequate to meet adjustments to the contract. Failure by the Company to fulfill such contracts on a timely basis is a significant risk to the Company.

*Risk to Reputation*

Reputation is a critical asset in the investment industry. Potential damage to that reputation is a significant risk for the Company. Any of the risks identified herein could damage the Company's reputation, which in turn, could result in a lack of client or employee confidence, legal liability and difficulties in raising capital.

*Risks Related to Investments*

The Company intends to expand its operations and business by investing in additional businesses, products or technologies. Investments may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities. In addition, there can be no assurance that the businesses, products or technologies, if any, will achieve anticipated revenues and income. Investments could also result in potentially dilutive issuances of equity securities. The failure of the Company to manage its investment strategy successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

*Dependence on Key Personnel*

The success of the Company is largely dependent on the performance of its key senior management employees. Failure to retain key employees and to attract and retain additional key employees with necessary skills could impact the Company's growth and profitability. The Company's progress to date in commercializing its proprietary products has been dependent, to a significant extent, on the skills of its senior management. The departure or death of certain

members of the executive team could have an adverse effect on the Company. The Company has experienced changes in its management personnel and further changes may occur in the future. The Company may face transitional difficulties in connection with these changes, and there can be no assurance that the Company will be able to attract and retain highly-skilled and qualified personnel to replace employees who leave the Company.

#### *Industry Growth*

There can be no assurance that the market for the Company's existing products will continue to grow or that the Company will be successful in independently establishing markets for its products. If the markets in which the Company's products compete fail to grow or grow more slowly than the Company currently anticipates, or if the Company is unable to establish markets for its new products, the Company's operating results and financial condition could be adversely affected.

#### *Economic Slowdown*

From time to time markets have witnessed the weakening of global macro-economic conditions. This weakness could have adverse effects on the investments of the Company's ability to continue as a going concern.

#### *Management of Future Growth and Expansion*

Planned expansion of the Company's business and its future success will depend on its ability to manage growth as it expands its products and marketing capacities, which may place a significant strain on the Company's management resources, employees and operations, as well as its ability to finance such growth. To manage growth effectively, the Company will be required to continue to implement changes in certain aspects of its business, expand its operations, and develop, train, manage and assimilate an increasing number of management-level and other employees. If management is unable to manage growth effectively, the Company's business, prospects, financial condition and operating results could be affected.

#### *Legislative, Insurance, Compliance Costs, Regulatory Action and Environment*

To comply with various increasing and complex regulatory reporting and standards involves significant cost. Changes to securities regulatory standards, account policy, and compliance reporting could place an additional expense burden on the Company. Insurers may increase premiums as the Company's business continue to grow so future premiums for the Company's insurance policies, including directors' and officers' insurance policies, could be subject to increase.

### **13. INFORMATION REGARDING FORWARD LOOKING STATEMENTS**

This MD&A contains certain forward-looking statements. Forward-looking statements include but are not limited to the timing and amount of estimated future program development, costs of production, capital expenditures, permitting time lines, currency fluctuations, requirements for additional capital, Government regulation, environmental risks, disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others; the actual results of current activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, failure of plant, equipment or processes to operate as anticipated, accidents, delays in obtaining government approvals or financing, risks relating to the integration of acquisitions and to international operations. While the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.