Reliq Health technologies

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(Expressed in Canadian Dollars)

UNIT 114B (2nd Floor)
8988 FRASERTON COURT
BURNABY, BC V5J 5H8

T: **604.239.0868**
F: **604.239.0866**

A CHAN AND COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Reliq Health Technologies Inc. (formerly, Moseda Technologies, Inc.)

We have audited the accompanying consolidated financial statements of Reliq Health Technologies Inc. (formerly, Moseda Technologies, Inc.) (the "Company"), which comprise the consolidated statement of financial position as at June 30, 2018 and June 30, 2017, and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the years ended June 30, 2018 and June 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2018 and June 30, 2017, and its consolidated financial performance and its consolidated cash flow for the years ended June 30, 2018 and June 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"A Chan & Company LLP"
Chartered Professional Accountant

Burnaby, British Columbia
October 29, 2018

RELIQ HEALTH TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

AS AT		June 30, 2018		June 30, 2017
ASSETS				
Current				
Cash	$	9,800,922	$	487,496
Term deposits		123,000		16,500
Trade and other receivables (Note 16)		34,405		34,405
Prepaid expenses		2,404,295		163,062
		12,362,622		701,463
Property, plant and equipment (Note 7)		-		-
	$	12,362,622	$	701,463
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 5)	$	531,211	$	600,628
Deferred revenue (Note 8)		-		5,810
Contingent Liabilities (Note 4)		-		76,183
		531,211		682,621
Shareholders' equity				
Share capital (Note 10)		28,719,049		10,040,262
Reserves (Note 10)		9,050,650		2,120,317
Accumulated Deficit		(25,938,288)		(12,141,737)
		11,831,411		18,842
	$	12,362,622	$	701,463

Nature of operations and ability to continue as a going concern (Note 1)
Subsequent event (Note 17)

Approved on behalf of the Board on Oct 29, 2018:

"Eugene Beukman"
Signed

"Aman Thindal"
Signed

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

RELIQ HEALTH TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended June 30

	2018	2017
REVENUE		
Royalty revenue	$ -	$ 3,261
Sales revenue	2,269,481	179,391
	2,269,481	183,652
COST OF SALES	1,122,832	148,183
GROSS PROFIT	1,146,649	34,469
EXPENSES		
Amortization and depreciation	-	2,047
Advertising and promotion	381,681	311,497
Management and consulting fees	1,785,321	630,145
Office and administration	603,468	288,871
Professional fees	123,305	9,430
Research and development	1,420,806	719,414
Salaries and wages	1,399,229	566,583
Share-based payments	7,928,940	243,305
Transfer agent	156,576	64,835
	(13,799,326)	(2,836,127)
	(12,652,677)	(2,801,658)
OTHER		
Bad debt (Note 16)	(1,137,170)	-
Foreign exchange	20,432	(8,219)
Finance expense (Note 9)	25	(14,480)
Gain on settlement of debt	5,810	173,362
Write-off of intangible asset (Note 4)	-	-
Change in contingent liabilities (Note 4)	(32,971)	189,877
Loss and comprehensive loss for the year	$ (13,796,551)	$ (2,461,118)
Basic and diluted loss per common share	$ (0.14)	$ (0.04)
Weighted average number of common shares outstanding	95,398,842	59,886,938

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

RELIQ HEALTH TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended June 30

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (13,796,551)	$ (2,461,118)
Items not affecting cash:		
Amortization	-	2,047
Bad debt	1,137,170	-
Share-based payments	7,928,940	243,305
Change in contingent liabilities	32,972	(189,877)
Finance expense	-	14,480
Gain on settlement of debt	(5,810)	(173,362)
Changes in non-cash working capital items:		
Receivables	(1,137,170)	116,094
Inventory	-	113,462
Deferred revenue	-	(1,400)
Prepaid expenses	(2,241,233)	(24,870)
Accounts payable and accrued liabilities	(69,417)	125,551
	(8,151,099)	(2,235,689)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of term deposits	(106,500)	-
	(106,500)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	15,000,000	1,423,092
Proceeds from stock option exercise	927,500	15,000
Proceeds from warrant exercises	2,880,018	187,750
Share issuance costs	(1,236,493)	(95,107)
Proceeds from issuance of convertible debentures	-	762,305
Financing costs	-	(15,280)
	17,571,025	2,277,760
Change in cash during the year	9,313,426	42,071
Cash, beginning of year	487,496	445,425
Cash, end of year	$ 9,800,922	$ 487,496

Supplemental disclosure with respect to cash flows (Note 14)

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

RELIQ HEALTH TECHNOLOGIES INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance June 30, 2016	53,023,521	7,835,314	1,482,305	(9,680,619)	(363,000)
Private placements	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 Warrants	1,877,500	187,750	-	-	187,750
Shares issued on exercise of Options	100,000	26,453	(11,453)	-	15,000
Conversion of convertible	5,863,884	688,666	71,655	-	760,321
Financing costs – warrants	-	-	1,183	-	1,183
Vested warrants	-	-	307,416	-	307,416
Shared-based payments	-	-	243,305	-	243,305
Net loss for the year	-	-	-	(2,461,118)	(2,461,118)
Balance, June 30, 2017	76,135,438	$ 10,040,262	$ 2,120,317	(12,141,737)	$ 18,842
Private placements	21,428,571	15,000,000	-	-	15,000,000
Share issuance – shares	1,071,429	891,072	-	-	891,072
Share issuance costs – shares	-	(891,072)	-	-	(891,072)
Share issuance – Cash	-	(1,236,493)	-	-	(1,236,493)
Share issuance costs – warrants	-	(916,828)	916,828	-	-
Shares issued on exercise of Warrants	9,489,101	2,880,018	-	-	2,880,018
Shares issued on exercise of Options	5,800,000	2,952,090	(2,024,590)	-	927,500
Vested warrants	-	-	109,155	-	109,155
Shared-based payments	-	-	7,928,940	-	7,928,940
Net loss for the year	-	-	-	(13,796,551)	(13,796,551)
Balance, June 30, 2018	113,924,539	$ 28,719,049	$ 9,050,650	$ (25,938,288)	$ 11,831,411

The accompanying notes are an integral part of these consolidated 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") under the symbol ("RHT"). 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 810 - 789 West Pender Street, Vancouver, British Columbia.

These consolidated 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 consolidated financial statements. These consolidated 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 June 30, 2018, the Company had not achieved profitable operations, had accumulated a deficit of $25,938,288 (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 consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

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

Use of Estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the 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 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.

2. BASIS OF PREPARATION *(cont'd…)*

Use of Estimates (cont'd…)

Critical accounting estimates (cont'd…)

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entity controlled by the Company, Mobsafety, Inc. and Carekit Health Corp. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The accounting policies set out below have been consistently applied to all periods presented.

Intangible assets

The Company's intangible assets include trademarks. Intangible assets are measured at cost less any accumulated impairment losses. Indefinite life intangible assets are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Property, plant and equipment

Property, plant and equipment are measured on the cost basis less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial year in which they are incurred.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives of 3.33 years to the Company commencing from the time the asset is held ready for use. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of loss and comprehensive loss.

Impairment of non-financial assets

Impairment tests on non-financial assets, including property, plant and equipment, and intangible assets are subject to impairment tests at least annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down to its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. An impairment loss is charged to statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Revenue recognition

The Company earns revenue through the supply of MDM solutions for mobile devices and assets management services in the commercial and consumer markets. Revenue is measured at the fair value of the consideration received or receivable for services, net of discounts and sales taxes. Consideration received from customers in advance is recorded as deferred revenue.

The principal sources of revenue to the Company and recognition of these revenues are as follows:

License Revenue

Revenue from the sale of licenses is recognized at inception of the license term assuming at which time all the following conditions are met:

- The Company has transferred significant risks and rewards of the license
- The Company does not retain continuing managerial involvement
- The amount of revenue can be reliably measured
- It is probable that economic benefits associated with the transaction will flow to the Company
- The costs incurred or to be incurred can be reliably measured

Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that future economic benefit will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement

Research and development costs

Expenditure on internally developed products is capitalized if it can be demonstrated that:

- It is technically feasible to develop the product for it to be sold;
- Adequate resources are available to complete the development;
- There is an intention to complete and sell the product;
- The Company is able to sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

As at June 30, 2018 and 2017 the Company has no development costs that met such criteria.

Development expenditures not satisfying the above criteria and expenditure on the research phase of internal projects are recognized in the statement of comprehensive loss as incurred.

Share-based payments

As part of its remuneration, the Company grants stock options and warrants to buy common shares of the Company to its employees. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value of employee services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Share-based payments *(cont'd…)*

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instrument granted or vested if the option vests over a period. This fair value is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

All share-based remuneration is ultimately recognized as an expense in the statements of comprehensive loss with a corresponding credit to contributed surplus. Upon exercise of share options, the proceeds received net of any directly attributable transactions costs and the amount originally credited to contributed surplus are allocated to share capital. When options expire unexercised the related value remains in contributed surplus.

Foreign currency translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, foreign currency monetary assets and liabilities are translated using the reporting date foreign exchange rate. Foreign currency non- monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non- monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the profit and loss.

Earnings (loss) per share

Basic earnings (loss) per share is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the year after giving effect to potentially dilutive financial instruments.

Cash equivalents

Cash equivalents are comprised of all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at June 30, 2018 and 2017, there were no cash equivalents.

Financial instruments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company does not hold any available for sale, held to maturity, or derivative financial assets at June 30, 2018 and 2017.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company determines the classification of its financial assets and financial liabilities at initial recognition. Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus directly attributable transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Financial instruments *(cont'd…)*

The Company's financial assets and liabilities are generally classified and measured as follows:

Asset/liability	Category	Measurement
Cash and term deposits	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loan and promissory notes	Other financial liabilities	Amortized cost
Contingent liabilities	Fair value through profit or loss	Fair value

Loans and receivables and other financial liabilities are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. Such provisions are recorded in a separate allowance account with the loss being recognized within administrative expenses in the statement of loss and comprehensive loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance. Impairment is assessed at each reporting date.

Transaction costs incurred in the course of raising debt financing are netted against the carrying value of the liability and then amortized over the expected life of the instrument using the effective interest rate method to expense interest over the period to maturity of the related debt. Other transaction costs incurred are included in the statement and comprehensive loss.

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or recoverable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

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.

4. ACQUISITION OF 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

(Expressed in Canadian Dollars)

4. ACQUISITION OF CAREKIT HEALTH CORP. *(cont'd…)*

*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 June 30, 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 year ended June 30, 2016. During the year ended June 30, 2017, 4,700,000 warrants vested with fair value of $307,416 were reallocated out of contingent liabilities to contributed surplus. As at June 30, 2017, fair value of unvested 2,350,000 warrants were measured at $78,183 with change in contingent liabilities of $189,877 recognized in net loss for the year ended June 30, 2017. During the year ended June 30, 2018, 2,350,000 warrants vested with fair value of $109,154 were reallocated out of contingent liabilities to contributed surplus. As at June 30, 2018 there were no unvested warrants and changes in contingent liabilities of $32,971 was recognized in net loss for the year ended June 30, 2018. 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 – 0.50% to 1.18%; expected life – 1.66 years to 2.56 years; expected volatility – 83.46% to 101.50%; forfeiture rate – 0% and expected dividends – nil.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2018		2017
Accounts payable	$	386,546	$	582,639
Accruals		144,665		17,989
	$	531,211	$	600,628

6. INVENTORY

As at June 30, 2018, the Company does not have any inventory of medical devices purchased for resale.

7. PROPERTY, PLANT AND EQUIPMENT

		Equipment
Cost		
Balance, June 30, 2016, 2017 and 2018	$	20,543
Accumulated depreciation		
Balance, June 30, 2016		18,496
Additions		2,046
Balance, June 30, 2017		20,543
Additions		-
Balance, June 30, 2018		20,543
As at June 30, 2017	$	-
As at June 30, 2018	$	-

(Expressed in Canadian Dollars)

8. DEFERRED REVENUE

The Company's deferred revenue at June 30, 2016, 2017 and 2018 are as follows:

		Total
Balance June 30, 2016	$	7,210
Released to the statement of loss and comprehensive loss		(1,400)
Balance June 30, 2017		5,810
Write off to the statement of loss and comprehensive loss		(5,810)
Balance June 30, 2018	$	-

9. CONVERTIBLE DEBENTURES

		Total
Balance June 30, 2015 and 2016	$	-
Issuance of convertible debentures		762,305
Financing costs		(16,464)
Equity component of convertible debentures		(71,655)
Finance expense		14,480
Conversion to common shares		(688,666)
Balance June 30, 2017 and 2018	$	-

During the year ended June 30, 2017, the Company issued convertible debentures for proceeds of $762,305. The convertible debentures were convertible into units of the Company at a value of $0.13 per unit consisting of one common share and one half of one share purchase warrant. Each whole warrant is exercisable at $0.20 for a period of 3 years. The convertible debentures carry interest at 8% per annum. The Company paid finder fees of $15,280 and 36,400 finder warrants exercisable at $0.20 for a period of one year. The finder warrants were valued at $1,184 using the Black-Scholes pricing model with a volatility of 97.79%, discount rate of 0.71%, expected life of 1 year, and an exercise price of $0.20.

The conversion feature was valued at the date of issuance as the residual value of the present value of the principal on the convertible debentures $762,305 at a discount rate of 12% which is the anticipated borrowing rate the Company could achieve on non-convertible instruments. On June 21, 2017, the holders of the convertible debentures converted their holdings for 5,863,884 units.

10. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common and preferred shares without par value.

Private placements

During the year ended June 30, 2018, the Company:

a) 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 with the common shares component fair valued at $337,500, and issued 850,000 warrants. The fair values $337,268 of the warrants for service and 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 – 1.40%; expected life – 2 years; expected volatility – 91%; forfeiture rate – 0% and expected dividends – nil.

(Expressed in Canadian Dollars)

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

Private placements *(cont'd…)*

b) Issued 8,928,571 common shares at a price of $1.12 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 $1.75 per warrant share. The Company paid $800,000, and issued 446,429 units to the agents with the common shares component fair valued at $553,572, and issued 714,286 warrants. The fair values $579,561 of the warrants for service and 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 – 1.80%; expected life – 2 years; expected volatility – 93%; forfeiture rate – 0% and expected dividends – 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	11,158,580		0.15	4,150,000		0.12
Expired	(14,365,475)		0.29	-		-
Exercised	(1,877,500)		0.10	(100,000)		0.15
Outstanding, June 30, 2017	19,917,239		0.18	5,500,000		0.14
Granted	13,596,427		1.04	9,625,000		0.83
Expired	-		-	(1,200,000)		0.16
Exercised	(9,489,101)		0.30	(5,800,000)		0.16
Outstanding, June 30, 2018	24,024,565	$	0.62	8,125,000	$	0.93
Exercisable, June 30, 2018	24,024,565	$	0.62	7,718,750	$	0.86

(Expressed in Canadian Dollars)

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

Stock options and warrants *(cont'd…)*

As at June 30, 2018, inventive stock options were outstanding as follows:

	Number	Exercise price	Expiry Date
Stock options			
	250,000	0.150	July 28, 2018
	800,000	0.100	October 6, 2021
	100,000	0.105	October 11, 2021
	675,000	0.150	September 22, 2022
	75,000	0.440	November 2, 2022
	200,000	1.000	December 14, 2019
	2,150,000	1.120	January 10, 2023
	2,475,000	1.120	February 2, 2020
	1,400,000	1.380	June 4, 2023
	8,125,000		

As at June 30, 2018, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry Date
Share Purchase Warrants			
	49,460	$ 0.100	October 17, 2018
	450,000	0.145	October 17, 2018
	7,425,000	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
	1,631,391	0.200	June 15, 2020
	2,825,448	0.165	June 21, 2019
	3,847,500	0.600	November 2, 2019
	340,594	0.400	November 2, 2019
	312,500	0.600	November 2, 2019
	170,297	0.600	November 2, 2019
	4,441,575	1.750	January 9, 2020
	223,214	1.750	January 9, 2020
	714,285	1.120	January 9, 2020
	357,142	1.750	January 9, 2020
	24,024,565		

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.

(Expressed in Canadian Dollars)

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

During the year June 30, 2018 the Company granted 9,625,000 options (2017 – 4,150,000), with some options fully vested and some options to be vested over time, and recorded a share-based payment expense of $7,928,940 (2017 - $243,305) which included benefit of options granted in prior years and became fully vested during the current year. 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 – 1.76% to 1.96% (2017 – 0.58% to 1.38%); expected life – 1.25 years to 5 years (2017 – 2 years to 5 years); expected volatility – 89% to 121% (2017 – 74.46% - 108.56%); forfeiture rate – 0% (2017 – 0%) and expected dividends – nil (2017 – 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 June 30, 2018.

11. 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.

12. 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 (2017 - $600,628).

13. 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.

(Expressed in Canadian Dollars)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended June 30, 2018, the Company:

a) Issued 312,000 warrants to agents for services with a fair value of $77,824 (Note 9).

b) Issued 850,000 agent warrants with a fair value of $259,444 (Note 9).

c) Issued 223,214 warrants to agents for services with a fair value of $114,056 (Note 9).

d) Issued 714,286 agent warrants with a fair value of $465,505 (Note 9).

e) 2,350,000 performance warrants were released from escrow with a fair value of $109,154 (Note 9).

f) Reclassified reserves of $2,024,590 to share capital on the exercise of 5,800,000 common shares.

During the year ended June 30, 2017, the Company:

g) Issued 36,400 finder warrants with a fair value of $1,184 (Note 9).

h) Issued 554,976 agents' warrants with a fair value of $25,906 (Note 10).

i) Converted debentures totaling $688,666 to 5,863,884 common shares (Note 9).

j) Reclassified reserves of $11,453 to share capital on the exercise of 100,000 common shares.

15. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

		2018		2017
Income (loss) for the year	$	(13,796,551)	$	(2,461,118)
Tax recovery based on the statutory rate of 27% (2017 – 26%)		(3,725,069)		(639,891)
Effect of change in tax rate		(138,616)		-
Non-deductible expenses and impact of corporate reorganization		1,330,370		(6,075)
Changes in unrecognized deferred tax assets		2,533,315		645,966
Income tax expense (recovery)	$	-	$	-

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at June 30, 2017 and 2016 are summarized as follows:

		2018		2017
Tax losses carried forward	$	4,986,247	$	3,095,810
Mineral property		442,914		426,510
Un-deducted financing costs and other tax assets		708,191		81,716
		6,137,352		3,604,036
Unrecognized deferred tax assets		(6,137,352)		(3,604,036)
	$	-	$	-

The Company has approximately $18,450,000 of non-capital losses available, which begin to expire through to 2038 and may be applied against future taxable income. The Company also has approximately $1,600,000 of exploration and development costs which are available for deduction against future income for tax purposes. At June 30, 2018, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

(Expressed in Canadian Dollars)

16. TRADE AND OTHER RECEIVABLES

	June 30, 2018	June 30, 2017
Trade receivable	$ 1,132,170	$ -
Allowance for doubtful	(1,132,170)	-
Other – GST receivable	34,405	34,405
	$ 34,405	$ 34,405

During the current year of 2018, the Company assessed the collectability of remaining trade receivable and determined that a full provision on remaining trade receivable should be made and charged bad debt expense of $1,132,170 (2017 - $Nil) to the statement of loss and comprehensive loss of the year ended June 30, 2018.

17. SUBSEQUENT EVENTS

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

- 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 statements, 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.