Reliq Health technologies

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2019

(UNAUDITED)

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

AS AT		March 31, 2019		June 30, 2018
ASSETS				
Current				
Cash	$	1,801,186	$	9,800,922
Term deposits		123,000		123,000
Trade and other receivables		189,961		34,405
Prepaid expenses		876,780		2,404,295
Inventory (Note 4)		4,011,737		-
	$	7,002,664	$	12,362,622
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	1,296,703	$	531,211
		1,296,703		531,211
Shareholders' equity				
Share capital (Note 5)		30,736,816		28,719,049
Share subscriptions receivable (Note 5)		(492,000)		-
Reserves (Note 5)		9,656,215		9,050,650
Accumulated Deficit		(34,195,070)		(25,938,288)
		5,705,961		11,831,411
	$	7,002,664	$	12,362,622

Nature of operations and ability to continue as a going concern (Note 1)
Contingencies (Note 9)
Subsequent events (Note 10)

Approved on behalf of the Board on May 30, 2019:

"Eugene Beukman"
Signed

"Lisa Crossley"
Signed

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

RELIQ HEALTH TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)
For the three and nine months ended March 31,

	Three months ended March 31, 2019	Three months ended March 31, 2018	Nine months ended March 31, 2019	Nine months ended March 31, 2018
REVENUE				
Sales revenue	$ 99,531	$ 1,132,170	$ 120,381	$ 2,269,481
COST OF SALES	14,884	312,587	14,884	559,550
GROSS PROFIT	84,647	819,583	105,497	1,709,931
EXPENSES				
Advertising and promotion	118,077	101,312	182,502	289,792
Management and consulting fees	431,110	163,727	1,257,121	556,160
Office and administration	368,230	140,455	848,880	371,348
Professional fees	280,604	35,036	393,856	155,985
Research and development	818,330	362,096	3,616,656	975,461
Salaries and wages	347,955	317,254	1,390,935	786,991
Share-based payments	176,134	3,489,383	605,565	4,142,105
Transfer agent	25,932	82,998	68,104	133,606
	(2,566,372)	(4,692,261)	(8,363,619)	(7,411,448)
	(2,481,725)	(3,872,678)	(8,258,122)	(5,701,517)
OTHER				
Foreign exchange	1,340	-	1,340	(5,245)
Loss and comprehensive loss for the period	$ (2,480,385)	$ (3,872,678)	$ (8,256,782)	$ (5,706,762)
Basic and diluted loss per common share	$ (0.02)	$ (0.04)	$ (0.07)	$ (0.06)
Weighted average number of common shares outstanding	119,542,220	97,358,510	116,701,094	88,938,327

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RELIQ HEALTH TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the nine months ended March 31,

		2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	(8,256,782)	$	(5,706,762)
Items not affecting cash:				
Share-based payments		605,565		4,142,105
Changes in non-cash working capital items:				
Receivables		(155,556)		(1,958,894)
Inventory		(4,011,737)		-
Term deposit		-		11,500
Prepaid expenses		1,527,515		(45,871)
Accounts payable and accrued liabilities		765,492		(45,871)
		(9,525,503)		(3,757,994)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares, net		-		13,860,000
Proceeds from stock option exercise		261,000		319,625
Proceeds from warrant exercises		1,264,767		2,213,816
		1,525,767		16,393,441
Change in cash during the period		(7,999,736)		12,635,447
Cash, beginning of period		9,800,922		487,496
Cash, end of period	$	1,801,186	$	13,122,943

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

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

	Share Capital		Share subscriptions receivable	Reserves	Deficit	Total
	Number	Amount				
Balance, June 30, 2017	76,135,438	$ 10,040,262	$ -	$ 2,120,317	$ (12,141,737)	$ 18,842
Private placement	21,428,571	15,000,000	-	-	-	15,000,000
Share issuance costs – shares	1,071,429	-	-	-	-	-
Share issuance costs – warrants	-	(456,881)	-	456,881	-	-
Share issuance costs – cash	-	(1,140,000)	-	-	-	(1,140,000)
Shares issued on exercise of Warrants	8,447,076	2,213,815	-	-	-	2,213,815
Shares issued on exercise of Options	2,462,500	322,211	-	(2,586)	-	319,625
Share-based payments	-	-	-	4,142,106	-	4,142,106
Net loss for the period	-	-	-	-	(5,706,762)	(5,706,762)
Balance, March 31, 2018	109,545,014	$ 25,979,407	$ -	$ 6,716,718	$ (17,848,499)	$ 14,847,626
Balance, June 30, 2018	113,924,539	$ 28,719,049	$ -	$ 9,050,650	$ (25,938,288)	$ 11,831,411
Shares issued on exercise of Warrants	8,330,738	1,756,767	(492,000)	-	-	1,264,767
Shares issued on exercise of Options	525,000	261,000	-	-	-	261,000
Share based payments	-	-	-	605,565	-	605,565
Net loss for the period	-	-	-	-	(8,256,782)	(8,256,782)
Balance, March 31, 2019	122,780,277	$ 30,736,816	$ (492,000)	$ 9,656,215	$ (34,195,070)	$ 5,705,961

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

1. NATURE OF OPERATIONS AND GOING CONCERN

RELIQ HEALTH TECHNOLOGIES INC. (the “Company”) is a publicly-listed company incorporated in British Columbia with limited liability under the legislation of the province of British Columbia and its shares are listed on the TSX Venture Exchange (the “Exchange”) 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 406A - 175 Longwood Rd S, Hamilton, ON, L8P 0A1.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2019, the Company had not achieved profitable operations, had accumulated a deficit of $34,195,070 (June 30, 2018 - $25,938,288) 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 International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

Basis of Presentation

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

Use of Estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

2. BASIS OF PREPARATION *(cont'd…)*

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

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 adoption of IFRS 9 did not have any material impact on the consolidated financial statements of the Company.

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. The adoption of IFRS 15 did not have any material impact on the consolidated financial statements of the Company.

(Unaudited - Expressed in Canadian Dollars)

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

New standards not yet adopted

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. INVENTORY

As at March 31, 2019, inventory consists of medical devices purchased by the Company to be provided to the patients that are placed onto the Company's iUGO Health technology platform.

5. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common and preferred shares without par value.

Issued and outstanding

During the period ended March 31, 2019, the Company:

a) Issued 525,000 common shares due to the exercise of 50,000 options at $0.105, 325,000 options at $0.15 and 150,000 options at $1.38.

b) Issued 8,330,738 common shares due to the exercise of:
   - 8,048,700 warrants at $0.20 (of which $492,000 was receivable at March 31, 2019).
   - 20,038 warrants at $0.40.
   - 206,250 warrants at $0.60.
   - 50,000 warrants at $1.00.
   - 5,750 warrants at $1.75.

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, 2017	19,917,239	$ 0.18	5,500,000	$ 0.14
Granted	13,596,427	1.04	3,475,000	0.21
Expired	-	-	(1,200,000)	0.15
Exercised	(8,117,075)	0.26	(1,750,000)	0.13
Outstanding, March 31, 2018	25,396,591	0.615	6,025,000	0.17
Outstanding, June 30, 2018	24,024,565	0.62	8,125,000	0.86
Granted	-	-	4,200,000	0.27
Expired	(450,000)	0.15	(1,600,000)	1.18
Exercised	(8,330,738)	0.21	(525,000)	0.50
Outstanding, March 31, 2019	15,243,827	$ 0.86	10,200,000	$ 0.64

(Unaudited - Expressed in Canadian Dollars)

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

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

As at March 31, 2019, inventive stock options were outstanding as follows:

	Number	Exercise price	Expiry Date
Stock options			
	800,000	0.100	October 6, 2021
	600,000	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
	3,100,000	0.250	December 17, 2024
	300,000	0.310	January 21, 2024
	500,000	0.235	February 28, 2024
	10,200,000		

As at March 31, 2019, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry Date
Share Purchase Warrants			
	378,125	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
	1,007,691	0.200	June 15, 2020
	2,825,448	0.165	June 21, 2019
	3,641,250	0.600	November 2, 2019
	320,556	0.400	November 2, 2019
	312,500	0.600	November 2, 2019
	170,297	0.600	November 2, 2019
	4,435,825	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
	15,243,827		

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.

(Unaudited - Expressed in Canadian Dollars)

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

On October 23, 2018, the Company granted 300,000 stock options to a consultant with an exercise price of $0.53 expiring on October 23, 2021. These options were valued at $104,552 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 107%, expected life of the options: 3 years, expected dividend yield: 0%, and risk-free interest rate: 2.31%. These options were cancelled on December 13, 2018. During the nine months ended March 31, 2019, the Company recorded a share-based payment of $46,233 related to these options.

On December 17, 2018, the Company granted 3,100,000 stock options to new hires including new members of the management team, with an exercise price of $0.25 expiring on December 17, 2024. These options vest over 18 months and were valued at $655,546 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 114%, expected life of the options: 6 years, expected dividend yield: 0%, and risk-free interest rate: 2.00%. During the nine months ended March 31, 2019, the Company recorded a share-based payment of $470,428 related to these options.

On January 21, 2019, the Company granted 300,000 stock options to members of the management team and medical advisory board, with an exercise price of $0.31 expiring on January 21, 2024. A total of 175,000 options vest immediately and the remaining 125,000 options vest over 18 months and were valued at $75,236 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 114%, expected life of the options: 5 years, expected dividend yield: 0%, and risk-free interest rate: 1.95%. During the nine months ended March 31, 2019, the Company recorded a share-based payment of $57,286 related to these options.

On February 28, 2019, the Company granted 500,000 stock options to a new member of the management team, with an exercise price of $0.235 expiring on February 28, 2024. These options vest over 18 months and were valued at $96,068 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 117%, expected life of the options: 5 years, expected dividend yield: 0%, and risk-free interest rate: 1.83%. During the nine months ended March 31, 2019, the Company recorded a share-based payment of $31,618 related to these options.

Performance shares

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

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

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

To date, no milestones have been reached; therefore no shares have been issued. The progress of the Company's revenue to date has been insufficient to indicate that there is any likelihood of these milestones being achieved. The Company has not recorded any related expense or obligation as of March 31, 2019.

6. 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 $165,000 (2018 - $165,000) to the CEO and director of the Company.

b) Paid or accrued salaries and wages of $58,333 (2018 - $138,750) to the former Chief Visionary Officer of the Company.

c) Paid or accrued management and consulting fees $43,500 (2018 - $35,093) to a company owned by a director of the Company.

d) Paid or accrued management and consulting fees of $30,000 (2018 - $90,000) to the former CFO and director of the Company.

e) Paid or accrued management and consulting fees of $25,000 (2018 - $Nil) to the interim CFO of the Company.

As at March 31, 2019, included in accounts payable and accrued liabilities is $Nil (June 30, 2018 - $10,500) due to related parties. These amounts are unsecured, non-interest bearing and payable on demand.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

(a) Currency risk

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

(b) Credit risk

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

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

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs. At March 31, 2019, the Company's accounts payable and accrued liabilities were $1,296,703 (June 30, 2018 - $531,211).

8. CAPITAL MANAGEMENT

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

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

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

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

9. CONTINGENCIES

The Company is aware of a claim brought in the Northern District of Texas against the Company for breach of contract. The Plaintiffs in this matter voluntarily dismissed their claim on November 13, 2018, after the Company presented the Plaintiff's counsel with evidence that Plaintiffs knew their claims were false.

In January 2019, the Company served actions against former employees of the Company as well as various individuals associated with the former employees (altogether, the "Individuals") in the Ontario Superior Court, the United States District Court (Southern District of Texas) (Houston Division) and another court (under seal). The Company and all of the defendants have agreed to settle all claims and causes of action between them, and are currently finalizing the documents necessary to implement the settlement.

10. SUBSEQUENT EVENTS

Subsequent to the period ended March 31, 2019, the Company has:

- 345,500 warrants at $0.165 were exercised for gross proceeds of $57,008.
- 200,000 stock options at $0.10 were exercised for gross proceeds of $20,000.
- 25,000 stock options at $0.15 were exercised for gross proceeds of $3,750.