Reliq Health
technologies

MANAGEMENT DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 2019

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 period ended December 31, 2019. The discussion below should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended June 30, 2019 and the unaudited consolidated interim financial statements for the six months ended December 31, 2019. 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* ***February 28, 2020****. 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.*

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 December 31, 2019 and subsequent, the Company:

- Received gross proceeds of $998,925 from option exercises by employees and consultants.
- Executed on its plan to expand throughout the United States. The Company's current clients and partners have operations in all 50 States and Puerto Rico.
- Leveraging new Medicare billing codes and reimbursement for 2020, the Company expanded into the Medicare patient population, more than doubling the Company's total addressable market.
- Launched the iUGO Home product line, which includes watch- and pendant-style devices that act as Personal Emergency Response Systems, detect falls, provide medication reminders, support two way audio and video communication and help prevent wandering through GPS and geofencing technology.
- Opened a US Sales Office and Call Center in Port St Lucie, Florida to provide paid support services to its clients, including outreach to patients to encourage timely collection of vital signs and medication adherence, and to ensure patients have a sufficient supply of test strips, lancets and other necessary consumables.
- Signed a contract with Comprehensive Partners in Florida to onboard over 25,000 new patients onto the Company's iUGO Care Remote Patient Monitoring (RPM) and Chronic Care Management (CCM) platform in calendar year 2020.
- Signed a contract with US company MaxMD (Fort Lee, NJ), a market leader in secure healthcare information technology and interoperability solutions.
- Signed a contract with Blum Telehealth to provide the Company's iUGO Care Chronic Care Management (CCM) and Behavioural Health Integration (BHI) platform to over 50,000 patients in Louisiana.
- Went live with the Royal Flying Doctor Service Central Operations (RFDS) in Australia.
- Appointed new auditors (KPMG LLP).

3. SELECTED FINANCIAL INFORMATION

3.1 Results of Operations for the three and six months ended December 31, 2019 compared to 2018

The loss for the three months ended December 31, 2019 increased to $4,016,795 (2018 – $2,662,479) and the loss for the six months ended December 31, 2019 increased to $6,501,550 (2018 – $5,776,397). Individual items contributing to this increase in the net loss are as follows:

- Management and consulting fees increased to $1,050,536 (2018 - $826,011) for the six months ended December 31, 2019 as the Company added US Business Development, Sales and Implementations resources as consultants/contractors to the Company.

  Notably, the consulting fees paid to its former CFO were reduced to $Nil in 2019 compared to $30,000 for 2018 to the former CFO.

  The Company also paid $30,000 to Mr. Brian Storseth, a director of the Company, compared to $Nil in 2018.

- The Company reported depreciation of $331,737 (2018 - $Nil) for the six months ended December 31, 2019 mainly due to the Company classifying the ForaCare D40g biometric monitoring devices it holds in inventory as an asset, which is depreciated on a straight-line basis over 5 years. In addition, the Company had depreciation of $20,836 (2018 - $Nil) related to classifying the Hamilton office as a right-of-use asset under IFRS 16.

- Research and development decreased to $886,835 (2018 - $958,772) for the three months ended December 31, 2019 and $1,442,782 (2018 - $2,798,326) for the six months ended December 31, 2019, largely due to the consolidation of operations to the Hamilton office. The Company continues to strengthen the product architecture for improved usability and scalability and continues to add new modules and features. The Company's contract development partner, Cecropia Solutions, LLC, provides development and QA services as described below.

  Reliq Health Technology practices Scrum-based agile development methodologies periodic sprints where the software is automatically deployed to production at the end of each sprint using a fully automated CI/CD pipeline. The application is a three-tier, cloud-native architecture with a managed SQL back-end, a REST-based API layer written in .NET and web/mobile front-ends written in a variety of languages and frameworks. The product design and features are developed by product management, UI design and clinical specialists in the Hamilton office. The cloud architecture team in Hamilton creates technical specifications for the Cecropia development teams. The Cecropia development teams implement the specifications and perform unit and integration testing. The Hamilton office team performs final acceptance testing before each release.

- Office and administration decreased to $165,513 (2018 - $219,230) for the three months ended December 31, 2019 and $271,414 (2018 - $480,650) for the six months ended December 31, 2019. Included in office and administration for 2019 are meals, entertainment and travel of $96,570 (2018 $344,487), insurance expenses of $49,204 (2018 - $60,593) and rent of $1,286 (2018 - $65,850). Relative to 2018, the Company reduced overhead office costs by consolidating its Vancouver office operations into the office in Hamilton, ON.

- Professional fees (Legal & Accounting) decreased to $63,751 (2018 - $77,162) for the three months ended December 31, 2019 and increased to $202,129 (2018 - $113,252) for the six months ended December 31, 2019 as the Company paid legal fees relating to the legal action served against former employees of the Company in January 2019 and settled in July 2019.

- Salaries and wages decreased to $926,826 (2018 - $1,042,980) for the six months ended December 31, 2019 as the Company consolidated operations to the Hamilton office.

- Share-based payments increased to $1,783,868 (2018 - $429,431) for the three months ended December 31, 2019 and $2,480,974 (2018 - $429,431) for the six months ended December 31, 2019 as the Company granted 8,650,000 stock options to certain employees, officers, directors and/or consultants compared to Nil in the comparative 2018 period, and also due to the vesting of previously granted stock options.

3.2 Cash flows for the six months ended December 31, 2019 compared to the six months ended December 31, 2018

Cash outflows from operating activities decreased to $3,712,375 (2018 – $7,292,874) primarily as a result of the reduction in research and development costs and salaries and wages, offset by an increase to management and consulting fees and professional fees.

Cash inflows from investing activities was $313,893 (2018 – cash outflow of $Nil) as a result of the sale of ForaCare D40g biometric monitoring devices during the current period whereas the Company purchased these monitoring devices in the comparative period.

Cash inflows from financing activities increased to $3,321,374 (2018 - $760,017). The cash inflows from financing during the period were due to the exercise of options of $1,340,125 (2018 - $248,250) and warrants $1,981,249 (2018 - $511,767).

3.3 Summary of quarterly results

	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Sales	400,823	273,359	61,525	99,531	20,850	-	-	1,132,170
Net Loss	(4,016,795)	(2,484,755)	(4,747,288)	(2,480,385)	(2,662,479)	(3,113,918)	(8,090,207)	(3,872,261)
Basic and diluted Net Income (Loss) per share	(0.03)	(0.02)	(0.04)	(0.02)	(0.02)	(0.03)	(0.08)	(0.04)

3.4 Loss for the three-month period ended December 31, 2019 compared to 2018

The loss for the period increased to ($4,016,795) (2018 – $2,662,479). This is principally due to the increase in non-cash share-based payments of $1,783,868 related to stock options granted during the period and the vesting of previously granted stock options. In addition, this increase was offset by the cost savings associated with the Company consolidating operations to Hamilton, ON. In Q4 2018, the Company also recognized a much higher non-cash share-based payments of $3,786,835 related to stock options granted during the period and the vesting of previously granted stock options.

3.5 Financial Position

Cash balance decreased to $267,921 (June 30, 2019 - $345,029) as a result of cash outflows from operating activities of $3,712,375 (2018 - $7,292,874) which was primarily offset against proceeds from stock options of $1,340,125 (2018 - $248,250) and warrants of $1,981,249 (2018 - $511,767).

4. LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2019, the Company had working capital deficiency of $75,369 including cash of $267,921 and settlement receivable of $200,000 at December 31, 2019. The first instalment of $200,000 was received on July 22, 2019. The second instalment of $200,000 will be received in April, 2020.

5. OUTSTANDING SHARE DATA

At the date of this MD&A the Company had 138,180,818 issued and outstanding common shares, 11,226,500 outstanding stock options and 2,158,695 outstanding share purchase warrants.

6. OFF BALANCE SHEET ARRANGEMENTS

At December 31, 2019, 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. CONTINGENCIES

The Company is aware of a Notice of Claim that has just been filed with the Supreme Court of British Columbia under the *Class Proceedings Act,* RSBC 1996, c 50, relating to statements made by the Company in 2018. The claim has been filed by a single shareholder who holds less than 3,000 shares in the Company. The Company intends to mount a vigorous defense.

9. SUBSEQUENT EVENTS

Subsequent to the six months ended December 31, 2019:

- 875,000 options were granted to employees and consultants of the Company with an exercise price of $0.44 expiring on January 7, 2025.
- 250,000 stock options at $0.245 were exercised for gross proceeds of $61,250.
- 300,000 stock options at $0.475 were exercised for gross proceeds of $142,500.
- 1,871,000 stock options at $0.425 were exercised for gross proceeds of $795,175.
- The Company signed new contracts with Comprehensive Partners (FL), MaxMD (Fort Lee, NJ) and Blum Telehealth (Louisiana) to onboard over 75,000 patients to the Company's iUGO Care platform within the next 12 months,

10. RELATED PARTY TRANSACTIONS

The remuneration of the key management personnel, comprised of the directors and officers for the six months ended December 31, 2019 and 2018 is as follows:

a) Paid or accrued salaries and wages of $113,300 (2018 - $110,000) to Lisa Crossley, the CEO and director of the Company.

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

c) Paid or accrued professional, administrative, advertising and promotion fees of $84,424 (2018 - $18,000) to Pender Street Corporate Consulting Inc. and Partum Advisory Services Corp., companies owned by Eugene Beukman, a director of the Company.

d) Paid or accrued professional fees of $Nil (2018 - $30,000) to Aman Thindal, the former CFO and director of the Company.

e) Paid or accrued professional fees of $30,000 (2018 - $5,000) to Dong H. Shim, the Interim CFO of the Company.

As at December 31, 2019, included in accounts payable and accrued liabilities is $2,520 (June 30, 2019 - $Nil) due to related parties. These amounts are unsecured, non-interest bearing and payable on demand.

11. 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.

11.1 Accounting policy changes

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. On adoption of IFRS 16, the Company recognized the right-of-use asset, and a corresponding increase in a lease liability, in the amount of $69,226 which represented the present value of future lease payments using a discount rate of 12%.

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 December 31, 2019, the Company's accounts payable and accrued liabilities were $1,301,185 (June 30, 2019 - $1,100,622).

13. 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.

14. 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.