



(Formerly Moseda Technologies Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**(Expressed in Canadian Dollars)**

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A CHAN AND COMPANY LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## 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, 2016, and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year ended June 30, 2016, 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 audit 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, 2016, and its consolidated financial performance and its consolidated cash flow for the year ended June 30, 2016 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.

### Other Matter

The consolidated financial statements of the Company for the year ended June 30, 2015, were audited by another auditor who expressed an unmodified opinion on those consolidated statements on October 28, 2015.

*"A Chan and Company LLP"*  
Chartered Professional Accountants

Burnaby, British Columbia  
October 27, 2016

**RELIQ HEALTH TECHNOLOGIES INC.** (Formerly Moseda Technologies Inc.)  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(Expressed in Canadian Dollars)

| AS AT                                             | June 30, 2016     | June 30, 2015     |
|---------------------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                                     |                   |                   |
| <b>Current</b>                                    |                   |                   |
| Cash                                              | \$ 445,425        | \$ 464,885        |
| Term deposits                                     | 16,500            | -                 |
| Trade and other receivables                       | 150,499           | 93,142            |
| Prepaid expenses                                  | 138,192           | 366,871           |
| Inventory (Note 6)                                | 113,462           | -                 |
|                                                   | <u>864,078</u>    | <u>924,898</u>    |
| <b>Property, plant and equipment (Note 7)</b>     | 2,047             | 8,216             |
| <b>Intangible assets</b>                          | <u>-</u>          | <u>1,521</u>      |
|                                                   | <u>\$ 866,125</u> | <u>\$ 934,635</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                   |                   |
| <b>Current</b>                                    |                   |                   |
| Accounts payable and accrued liabilities (Note 5) | \$ 648,439        | \$ 652,468        |
| Deferred revenue (Note 8)                         | 7,210             | 6,443             |
| Contingent liabilities (Note 4)                   | 573,476           | -                 |
|                                                   | <u>1,229,125</u>  | <u>658,911</u>    |
| <b>Shareholders' equity (deficiency)</b>          |                   |                   |
| Share capital (Note 9)                            | 7,835,314         | 6,274,852         |
| Reserves (Note 9)                                 | 1,482,305         | 841,902           |
| Accumulated Deficit                               | (9,680,619)       | (6,841,030)       |
|                                                   | <u>(363,000)</u>  | <u>275,724</u>    |
|                                                   | <u>\$ 866,125</u> | <u>\$ 934,635</u> |

**Nature of operations and ability to continue as a going concern (Note 1)**  
**Subsequent Events (Note 15)**

Approved on behalf of the Board on October 27, 2016:

"Eugene Beukman"  
Signed

"Aman Thindal"  
Signed

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

**RELIQ HEALTH TECHNOLOGIES INC.** (Formerly Moseda Technologies Inc.)  
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
(Expressed in Canadian Dollars)

| For the                                                     | Year ended<br>June 30, 2016 | Year ended<br>June 30, 2015 |
|-------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>REVENUE</b>                                              |                             |                             |
| Royalty revenue                                             | \$ 18,674                   | \$ 28,924                   |
| Sales revenue                                               | 517,523                     | 2,693                       |
|                                                             | <u>536,197</u>              | <u>31,617</u>               |
| <b>COST OF SALES</b>                                        | <u>312,475</u>              | <u>1,850</u>                |
| <b>GROSS PROFIT</b>                                         | <u>223,722</u>              | <u>29,767</u>               |
| <b>EXPENSES</b>                                             |                             |                             |
| Amortization and depreciation                               | 6,169                       | 6,165                       |
| Advertising and promotion                                   | 354,601                     | 211,651                     |
| Hosting and web fees                                        | 76,803                      | 49,003                      |
| Management and consulting fees                              | 693,839                     | 667,918                     |
| Office and administration                                   | 218,274                     | 282,254                     |
| Professional fees                                           | 96,578                      | 361,770                     |
| Research and development                                    | 447,227                     | 270,203                     |
| Salaries and wages                                          | 225,833                     | -                           |
| Share-based payments (Note 9)                               | 405,044                     | 558,214                     |
| Transfer agent                                              | 96,694                      | 43,919                      |
| Travel                                                      | 29,788                      | 33,483                      |
|                                                             | <u>(2,650,850)</u>          | <u>(2,484,580)</u>          |
|                                                             | (2,427,128)                 | (2,454,813)                 |
| <b>OTHER</b>                                                |                             |                             |
| Foreign exchange                                            | (21,554)                    | -                           |
| Interest expense                                            | -                           | (41,275)                    |
| Gain on settlement of debt                                  | 186,903                     | -                           |
| Write-off of intangible asset (Note 4)                      | (596,055)                   | -                           |
| Change in contingent liabilities (Note 4)                   | 18,245                      | -                           |
| Listing expense (Note 4)                                    | -                           | (2,060,370)                 |
|                                                             | <u>(2,839,589)</u>          | <u>(4,556,458)</u>          |
| <b>Loss and comprehensive loss for the year</b>             | <u>\$ (2,839,589)</u>       | <u>\$ (4,556,458)</u>       |
| <b>Basic and diluted loss per common share</b>              | <u>\$ (0.06)</u>            | <u>\$ (0.25)</u>            |
| <b>Weighted average number of common shares outstanding</b> | <u>50,158,141</u>           | <u>18,403,618</u>           |

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

**RELIQ HEALTH TECHNOLOGIES INC.** (Formerly Moseda Technologies Inc.)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in Canadian Dollars)  
For the year ended

|                                             | June 30, 2016      | June 30, 2015      |
|---------------------------------------------|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b> |                    |                    |
| Net loss for the year                       | (2,839,589)        | (4,556,458)        |
| Items not affecting cash:                   |                    |                    |
| Amortization                                | 6,169              | 6,165              |
| Share-based payments                        | 405,044            | 370,715            |
| Write-off of intangible asset               | 596,055            | -                  |
| Change in contingent liabilities            | (18,245)           | -                  |
| Listing expense                             | -                  | 2,060,370          |
| Gain on settlement of debt                  | (186,903)          | -                  |
| Changes in non-cash working capital items:  |                    |                    |
| Receivables                                 | (57,357)           | 36,453             |
| Inventory                                   | (113,462)          | -                  |
| Deferred revenue                            | 767                | (12,150)           |
| Prepaid expenses                            | 228,679            | (265,474)          |
| Accounts payable and accrued liabilities    | 182,874            | (181,045)          |
|                                             | <u>(1,795,968)</u> | <u>(2,541,424)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b> |                    |                    |
| Acquisition (Note 4)                        | -                  | 28,231             |
| Proceed on sale of trademark (Note 4)       | 314,427            | -                  |
| Purchase of term deposits                   | (16,500)           | -                  |
|                                             | <u>297,927</u>     | <u>28,231</u>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |                    |                    |
| Proceeds from issuance of shares            | 1,500,000          | 3,106,400          |
| Proceeds from issuance of prior to RTO      | -                  | 202,501            |
| Proceeds from stock option exercise         | 65,354             | -                  |
| Share issuance costs                        | (86,773)           | (343,292)          |
|                                             | <u>1,478,581</u>   | <u>2,965,609</u>   |
| <b>Change in cash during the year</b>       | <b>(19,460)</b>    | <b>452,416</b>     |
| <b>Cash, beginning of year</b>              | <b>464,885</b>     | <b>12,469</b>      |
| <b>Cash, end of year</b>                    | <b>445,425</b>     | <b>464,885</b>     |

Supplemental disclosure with respect to cash flows (Note 13)

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

**RELIQ HEALTH TECHNOLOGIES INC.** (Formerly Moseda Technologies Inc.)  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(Expressed in Canadian Dollars)

| <b>Share Capital</b>                                                        |               |               |                 |                |              |
|-----------------------------------------------------------------------------|---------------|---------------|-----------------|----------------|--------------|
|                                                                             | <b>Number</b> | <b>Amount</b> | <b>Reserves</b> | <b>Deficit</b> | <b>Total</b> |
| <b>Balance June 30, 2014</b>                                                | 12,221,610    | \$ 1,505,858  | \$ 293,793      | \$ (2,284,572) | \$ (484,921) |
| Private placement                                                           | 1,730,773     | 225,001       | -               | -              | 225,001      |
| Share issuance costs - cash                                                 | -             | (22,500)      | -               | -              | (22,500)     |
| Shares issued on exercise of options                                        | 886,750       | 4,225         | -               | -              | 4,225        |
| Recapitalization transactions Pursuant to the acquisition of Mobsafety Inc. | (14,839,133)  | (1,712,584)   | -               | -              | (1,712,584)  |
| Exchange of shares                                                          | 25,943,168    | 3,689,138     | -               | -              | 3,689,138    |
| Private placement                                                           | 16,497,216    | 3,106,400     | -               | -              | 3,106,400    |
| Share issuance costs – cash                                                 | -             | (343,292)     | -               | -              | (343,292)    |
| Share issuance costs – warrants                                             | -             | (177,394)     | 177,394         | -              | -            |
| Shared-based payments                                                       | -             | -             | 370,715         | -              | 370,715      |
| Net loss for the year                                                       | -             | -             | -               | (4,556,458)    | (4,556,458)  |
| <b>Balance June 30, 2015</b>                                                | 42,440,384    | 6,274,852     | 841,902         | (6,841,030)    | 275,724      |
| Private placement                                                           | 9,500,000     | 1,500,000     | -               | -              | 1,500,000    |
| Acquisition of Carekit (Note 4)                                             | 600,000       | 120,000       | 197,240         | -              | 317,240      |
| Shares issued on exercise of options                                        | 483,137       | 121,325       | (55,971)        | -              | 65,354       |
| Share issuance costs – cash                                                 | -             | (86,773)      | -               | -              | (86,773)     |
| Share issuance costs – warrants                                             | -             | (94,090)      | 94,090          | -              | -            |
| Shared-based payments                                                       | -             | -             | 405,044         | -              | 405,044      |
| Net loss for the year                                                       | -             | -             | -               | (2,839,589)    | (2,839,589)  |
| <b>Balance, June 30, 2016</b>                                               | 53,023,521    | \$ 7,835,314  | \$ 1,482,305    | \$ (9,680,619) | \$ (363,000) |

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

# **RELIQ HEALTH TECHNOLOGIES INC.** (formerly Moseda Technologies Inc.)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2016

(Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

**RELIQ HEALTH TECHNOLOGIES INC.** (formerly Moseda Technologies Inc.) (the “Company”) is a publicly-listed company incorporated in British Columbia with limited liability under the legislation of the province of British Columbia and its shares are listed on the TSX Venture Exchange (the “Exchange”). The Company’s principal business is to develop and operate Mobile Device Management (“MDM”) software systems that allow the management and tracking of assets using mobile devices.

The head office, principal address and the registered records address of the Company is situated at Suite 1128 - 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, 2016, the Company had not achieved profitable operations, had accumulated a deficit of \$9,680,619 (June 30, 2015 - \$6,841,030) 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.

#### **REVERSE TAKEOVER**

On September 30, 2014, the Company and MobSafety, Inc. (“MobSafety”) entered in to a Share Exchange Agreement (“SEA”) whereby the Company would acquire all of the issued and outstanding shares of MobSafety, being 14,839,133 shares, in consideration for securities of the Company on a 1 for 1.0819 basis. After completion of the SEA, the shareholders of MobSafety held approximately 62% of the Company. Accordingly, MobSafety is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by MobSafety shareholders (the “RTO”).

As MobSafety is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on July 27, 2011 are included in the consolidated financial statements at their historical carrying value. The consolidated financial statements are a continuation of MobSafety in accordance with IFRS 3, Business Combinations. The Company’s results of operations are included from March 27, 2015 onwards, the closing date.

Concurrent with the RTO, the Company completed a \$3,106,400 private placement (the “Financing”) (Note 9) as required by the SEA.

### **2. BASIS OF PREPARATION**

#### **Statement of Compliance**

These consolidated financial statements of the Company and its subsidiaries, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as 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 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.

**RELIQ HEALTH TECHNOLOGIES INC.** (formerly Moseda Technologies Inc.)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(Expressed in Canadian Dollars)

**2. BASIS OF PREPARATION** *(Cont'd...)***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 is subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.
- 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.
- iv. Reliq Health Technologies Inc. completed an RTO with Mobsaftey Inc. on March 27, 2015 and concluded that the transaction did not qualify as a business combination as significant inputs and processes that constitute a business were missing. Refer to Note 4 for additional details.

*Critical accounting judgments*

- i. The determination that the Company will continue as a going concern for the next year.

**Comparative Information**

These consolidated financial statements have been prepared as a continuation of Mobsafety, Inc.'s financial statements and the results of Reliq Health Technologies Inc. have been included in the Company's consolidated financial statements subsequent to close of the RTO on March 27, 2015 (Note 4).

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of consolidation**

These consolidated financial statements include the financial statements of the Company and the entities 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 probable 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.

**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:

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

**Revenue recognition** (*cont'd...*)

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.

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.

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.

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

**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.

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.

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

| <u>Asset/liability</u>                   | <u>Category</u>                   | <u>Measurement</u> |
|------------------------------------------|-----------------------------------|--------------------|
| Cash and term deposits                   | Loans and receivables             | Amortized cost     |
| Trade and other receivables              | Loans and receivables             | Amortized cost     |
| Accounts payable and accrued liabilities | 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.

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

**Financial instruments** (*cont'd...*)

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.

**New standard not yet adopted**

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended June 30, 2016:

- IFRS 9                      New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets<sup>(i)</sup>
- IFRS 11 (Amendment)      Amendment to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business.<sup>(ii)</sup>

(i)              Effective for annual periods beginning on or after January 1, 2018

(ii)             Effective for annual periods beginning on or after January 1, 2016

**4. ACQUISITIONS**

*MobSafety*

On March 27, 2015, the Company and MobSafety completed a Share Exchange Agreement ("SEA") whereby the Company would acquire all of the issued and outstanding shares of MobSafety, being 14,839,133 shares, in consideration for securities of the Company on a 1 for 1.0819 basis. After completion of the SEA, the shareholders of MobSafety held approximately 62% of the Company. Accordingly, MobSafety is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by MobSafety shareholders (the "RTO").

The legal acquisition of MobSafety by the Company constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, Business Combinations. As a result of the RTO, statements of financial position have been adjusted for the elimination of the Company's share capital, reserves and accumulated deficit within shareholders' equity.

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**4. ACQUISITIONS** (Cont'd...)*MobSafety* (Cont'd...)

As a result of this asset acquisition, a listing expense of \$2,060,370 has been recorded. This reflects the difference between the estimated fair value of the MobSafety shares to the Company's shareholders less the net fair value of the assets of the Company acquired.

In accordance with reverse acquisition accounting:

- i) The assets and liabilities of MobSafety are included in the statement of financial position at their carrying values;
- ii) The net assets of the Company are included at their fair value of \$(172,628).
- iii) The net assets of the Company have been allocated as follows:

|                                          |    |           |
|------------------------------------------|----|-----------|
| Cash                                     | \$ | 28,231    |
| Prepaid                                  |    | 116,288   |
| Receivables                              |    | 32,999    |
| Accounts payable and accrued liabilities |    | (350,146) |
| Fair value of net liabilities            | \$ | (172,628) |

- iv) The listing expense of \$2,060,370 was determined as follows:
  - a. Number of Company common shares held by former MobSafety shareholders outstanding prior to the Financing is 16,054,458 or 61.88% of the combined entity.
  - b. The fair value of MobSafety is \$3,210,892, which is based on the Financing price of \$0.20 per common share.
  - c. Number of outstanding shares of the Company prior to the Financing is 9,888,710 or 38.12% of the combined entity.
  - d. The fair value of the shares issued to acquire the Company under reverse takeover accounting is \$1,977,742 calculated as 9,888,710 shares at \$0.20 per share.
  - e. The difference between the fair value of \$1,977,742 being the consideration paid, and the estimated fair value of the net liabilities of the Company of \$82,628 amounts to a listing expense of \$2,060,370.

*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.

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**4. ACQUISITIONS** (Cont'd...)**CareKit Health Corp.** (Cont'd...)

|                                                                                |                   |
|--------------------------------------------------------------------------------|-------------------|
| <b>Purchase Price Consideration</b>                                            |                   |
| Value of 600,000 common shares and 9,400,000*** share purchase warrants issued | \$ 908,961        |
| <b>Assets acquired and liabilities assumed</b>                                 |                   |
| Intangible assets*                                                             | 594,534           |
| Trademark**                                                                    | 314,427           |
|                                                                                | <u>\$ 908,961</u> |

\*Intangible assets of \$594,534 and other intangible asset of \$1,521 associated with Mobsafety were written off during the year ended June 30, 2016.

\*\*Trademark was sold for proceed of \$314,427 during the year ended June 30, 2016.

\*\*\* Out of 9,400,000 warrants at a fair value of \$788,961, 2,350,000 vested warrants at a fair value of \$197,240 were allocated to equity and 7,050,000 unvested warrants at a fair value of \$591,721 were allocated to contingent liabilities on the statement of financial position on February 5, 2016. As at 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. Fair values of warrants were established by using the valuation technique, the Black Scholes Option Pricing Model. Assumptions used in the option pricing model were as follows: average risk free interest rate – 0.41% to 0.51%; expected life – 1 years to 3 years; expected volatility – 102.85% to 110.23%; forfeiture rate – 0% and expected dividends – nil.

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                  | June 30, 2016     | June 30, 2015     |
|------------------|-------------------|-------------------|
| Accounts payable | \$ 566,761        | \$ 550,790        |
| Accruals         | 81,678            | 101,678           |
|                  | <u>\$ 648,439</u> | <u>\$ 652,468</u> |

**6. INVENTORY**

As at June 30, 2016, inventory consists of medical devices purchased by the Company for resale.

**7. PROPERTY, PLANT AND EQUIPMENT**

|                                 | Equipment    |
|---------------------------------|--------------|
| <b>Cost</b>                     |              |
| Balance, June 30, 2015 and 2016 | \$ 20,543    |
| <b>Accumulated depreciation</b> |              |
| Balance, June 30, 2014          | 6,162        |
| Additions                       | <u>6,165</u> |
| Balance, June 30, 2015          | 12,327       |
| Additions                       | <u>6,169</u> |
| Balance, June 30, 2016          | 18,496       |
| <b>As at June 30, 2015</b>      | \$ 8,216     |
| <b>As at June 30, 2016</b>      | \$ 2,047     |

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**8. DEFERRED REVENUE**

The Company's deferred revenue at June 30, 2014, 2015 and 2016 are as follows:

|                                                          | <b>Total</b> |
|----------------------------------------------------------|--------------|
| <b>Balance, June 30, 2014</b>                            | \$ 18,593    |
| Deferred during the year                                 | 16,773       |
| Released to the statement of loss and comprehensive loss | (28,923)     |
| <b>Balance June 30, 2015</b>                             | 6,443        |
| Deferred during the year                                 | 19,441       |
| Released to the statement of loss and comprehensive loss | (18,674)     |
| <b>Balance June 30, 2016</b>                             | 7,210        |

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

Unlimited number of common and preferred shares without par value.

During the year ended June 30, 2016, the Company completed two brokered private placements by issuing 8,000,000 units at \$0.15 per unit and 1,500,000 units at \$0.20 per unit, for gross proceeds of \$1,200,000 and \$300,000, respectively. Each unit consists of one common share and one half of one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company for a period of one year from issuance at an exercise price of \$0.25 and \$0.26, respectively. The Company recorded cash share issue costs of \$86,773 and issued 586,867 agent warrants with a fair value of \$94,090 in conjunction with the placement. The agent warrants were valued using the Black-Scholes pricing model with a volatility of 149.73%, discount rate of 0.50%, expected life of 1 year, and an exercise price of \$0.25.

During the year ended June 30, 2015, the Company completed a brokered private placement by issuing 15,532,000 units at \$0.20 per unit, for gross proceeds of \$3,106,400. Each unit consists of one common share and one half of one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of \$0.35. The Company recorded cash share issue costs of \$343,292 and issued 1,242,560 agent options with a fair value of \$177,394 in conjunction with the placement. The agent options were valued using the Black-Scholes pricing model with a volatility of 100%, discount rate of 0.56%, expected life of 2 years, and an exercise price of \$0.20. The Company also issued 965,216 common shares as a finder's fee with a value of \$193,043 related to the acquisition;

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**9. SHARE CAPITAL AND RESERVES** (cont'd...)**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, 2014 | -                       | \$ -                            | 2,015,332     | \$ 0.14                         |
| Exercised                  | -                       | -                               | (886,750)     | 0.005                           |
| Cancelled                  | -                       | -                               | (1,128,582)   | 0.25                            |
| Acquired from RTO          | -                       | -                               | 100,900       | 1.00                            |
| Granted                    | 13,139,767              | 0.33                            | 2,018,822     | 0.19                            |
| Outstanding, June 30, 2015 | 13,139,767              | 0.33                            | 2,119,722     | 0.23                            |
| Exercised                  | -                       | -                               | (483,132)     | 0.14                            |
| Cancelled                  | -                       | -                               | (2,410,690)   | 0.23                            |
| Expired                    | (2,875,000)             | 0.35                            | (75,900)      | 1.00                            |
| Granted                    | 14,736,867              | 0.22                            | 2,300,000     | 0.15                            |
| Outstanding, June 30, 2016 | 25,001,634              | 0.25                            | 1,450,000     | 0.18                            |
| Exercisable, June 30, 2016 | 17,951,634              | 0.27                            | 1,450,000     | 0.18                            |

As at June 30, 2016, incentive stock options were outstanding as follows:

|                      | Number    | Exercise price | Expiry Date       |
|----------------------|-----------|----------------|-------------------|
| <b>Stock options</b> | 850,000   | \$ 0.150       | August 18, 2017   |
|                      | 500,000   | 0.250          | December 1, 2017  |
|                      | 100,000   | 0.200          | December 30, 2017 |
|                      | 1,450,000 |                |                   |

As at June 30, 2016, share purchase warrants were outstanding as follows:

|                                | Number     | Exercise price                | Expiry Date        |
|--------------------------------|------------|-------------------------------|--------------------|
| <b>Share Purchase Warrants</b> | 780,000    | \$ 0.35 / 0.50 <sup>(1)</sup> | July 31, 2016      |
|                                | 4,586,867  | 0.25 <sup>(1)</sup>           | September 21, 2016 |
|                                | 750,000    | 0.26 <sup>(1)</sup>           | October 6, 2016    |
|                                | 8,248,608  | 0.30                          | March 27, 2017     |
|                                | 9,400,000  | 0.20                          | February 26, 2019  |
|                                | 378,665    | 0.10                          | June 30, 2023      |
|                                | 304,284    | 0.13                          | March 29, 2022     |
|                                | 205,920    | 0.23                          | April 23, 2022     |
|                                | 293,195    | 0.25                          | June 30, 2022      |
|                                | 54,095     | 0.10                          | June 30, 2024      |
|                                | 25,001,634 |                               |                    |

\* Exercise price in 1st year is \$0.35 / 2nd &amp; 3rd years are \$0.50

<sup>(1)</sup> Expired subsequent to June 30, 2016

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**9. SHARE CAPITAL AND RESERVES** (cont'd...)**Share-based payments**

The Company's stock option plan reserves for issuance a maximum number of common shares equal to 10% of the number of issued and outstanding common shares of the Company. The exercise price of each option is to be determined by the Board of Directors, but shall not be less than the discounted market price as defined by the Exchange. The expiry date for each option should be for a maximum term of five years. All options granted vest immediately with the exception of those granted to investor relations consultants, which vest according to Exchange policy.

During the year ended June 30, 2016 the Company granted 2,300,000 options and recorded a share-based payment expense of \$405,044 (2015 - \$558,214). 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 – 0.41% to 0.82%; expected life – 2 years to 5 years; expected volatility – 119.87% to 126.49%; forfeiture rate – 0% and expected dividends – 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, 2016.

**10. RELATED PARTY TRANSACTIONS**

The remuneration of the key management personnel, comprised of the directors and officers is as follows:

Paid or accrued salaries and wages of \$100,833 (2015 - \$Nil) to the CEO and director of the Company.

Paid or accrued salaries and wages of \$75,000 (2015 - \$Nil) to the Chief Visionary Officer of the Company.

Paid or accrued management and consulting fees of \$71,304 (2015 - \$217,906) to a former director and CEO of the Company.

Paid or accrued management and consulting fees of \$49,500 (2015 - \$nil) to a company owned by a director of the Company.

Paid or accrued management and consulting fees of \$102,000 (2015 - \$nil) to the CFO and director of the Company.

Paid or accrued management and consulting fees of \$26,587 (2015 - \$12,900) to the former CFO of the Company

As at June 30, 2016, included in accounts payable and accrued liabilities is \$Nil (June 30, 2015 - \$165,324) due to related parties. These amounts are unsecured, non-interest bearing and payable on demand.

## **RELIQ HEALTH TECHNOLOGIES INC. (formerly Moseda Technologies Inc.)**

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#### **11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

##### **(a) Currency risk**

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

##### **(b) Credit risk**

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

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

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

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

##### **(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs. At June 30, 2016 the Company's accounts payable and accrued liabilities were \$648,439 (June 30, 2015 - \$652,468).

#### **12. 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.

#### **13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the year ended June 30, 2016, the Company issued 586,867 agent warrants with a fair value of \$94,090 and issued 600,000 common shares and 9,400,000 share purchase warrants of the Company for an acquisition of Carekit.

During the year ended June 30, 2015 the Company issued 1,242,560 agent options with a fair value of \$129,412.

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**14. INCOME TAXES**

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

|                                                                | June 30,<br>2016 | June 30, 2015  |
|----------------------------------------------------------------|------------------|----------------|
| Income (loss) for the year                                     | \$ (2,839,589)   | \$ (4,556,458) |
| Tax recovery based on the statutory rate of 26% (2015: 26%)    | (738,293)        | (1,184,679)    |
| Non-deductible expenses and impact of corporate reorganization | 222,328          | 616,000        |
| Changes in unrecognized deferred tax assets                    | 515,965          | 568,679        |
|                                                                | \$ -             | \$ -           |

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at June 30, 2016 and 2015 are summarized as follows:

|                                                 | June 30,<br>2016 | June 30,<br>2015 |
|-------------------------------------------------|------------------|------------------|
| Tax losses carried forward                      | \$ 2,442,094     | \$ 1,914,000     |
| Mineral property                                | 426,510          | 427,000          |
| Undeducted financing costs and other tax assets | 89,466           | 101,000          |
|                                                 | 2,958,070        | 2,442,000        |
| Unrecognized deferred tax assets                | (2,958,070)      | (2,442,000)      |
|                                                 | \$ -             | \$ -             |

The Company has approximately \$9,300,000 of non-capital losses available, which begin to expire through to 2036 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, 2016, 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.

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**15. SUBSEQUENT EVENTS**

On July 28, 2016, the Company granted 250,000 stock options exercisable at \$0.15 to a director of the Company. The stock options expire on July 28, 2018.

On October 6, 2016, the Company granted 2,500,000 stock options exercisable at \$0.10 to directors, officers, employees and consultants of the Company. The stock options expire on October 6, 2021.

On October 17, 2016, the Company closed the non-brokered private placement of 7,333,333 Units (the "Units") of the Company at a price of \$0.075 per Unit for gross proceeds of \$550,000.00 and 1,000,000 Units of the Company at a price of \$0.11 per Unit for gross proceeds of \$110,000.00. Each Unit each consists of one (1) common share (the "Common Share") and one half (1/2) transferrable share purchase warrant (the "Warrant"). Each of the 3,666,666 warrants entitles the holder thereof to purchase one (1) additional Common Share on or before October 17, 2018 at a price of \$0.10 per Common Share. Each of the 500,000 warrants entitles the holder thereof to purchase one (1) additional Common Share on or before October 17, 2018 at a price of \$0.145 per Common Share.