



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

(Expressed in Canadian Dollars)



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Reliq Health Technologies Inc.

Opinion

We have audited the consolidated financial statements of Reliq Health Technologies Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at June 30, 2021 and June 30, 2020
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at June 30, 2021 and June 30, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our ethical responsibilities in accordance with these requirements.

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



Page 2

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity has continued net losses, negative working capital and negative cash flows from operations.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work that we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management



either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in



our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is John J. Pryke

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

October 28, 2021

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

	Note	June 30, 2021	As at June 30, 2020
ASSETS			
Current			
Cash		\$ 226,299	\$ 12,799
Term deposits		100,000	123,000
Trade and other receivables	4	2,161,480	1,029,934
Prepaid expenses		144,597	97,342
Inventory	5	545,766	1,093,329
Total current assets		3,178,142	2,356,404
Right of use assets	11	283,653	346,147
Total assets		\$ 3,461,795	\$ 2,702,551
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		\$ 2,056,857	\$ 1,238,916
Lease liability	11	181,352	178,596
Total current liabilities		2,238,209	1,417,512
Long-term			
Loan payable	14	40,000	40,000
Lease liability	11	181,385	241,449
Total long-term liabilities		221,385	281,449
Total liabilities		2,459,594	1,698,961
Shareholders' equity			
Share capital	6	49,840,818	40,249,323
Reserves	6	12,855,998	10,668,327
Accumulated deficit		(61,694,615)	(49,914,060)
Total shareholders' equity		1,002,201	1,003,590
Total liabilities and shareholders' equity		\$ 3,461,795	\$ 2,702,551

Going concern (Note 1)
Contingencies (Note 10)
Subsequent event (Note 15)

Approved on behalf of the Board on October 28, 2021:

"Eugene Beukman"
Signed

"Lisa Crossley"
Signed

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

RELIQ HEALTH TECHNOLOGIES INC.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

	Note	Years ended	
		June 30, 2021	June 30, 2020
REVENUE			
Device sales		\$ 1,476,262	\$ 1,001,728
Software and services revenue		134,264	141,299
Returns		(148,361)	-
Net revenue		<u>1,462,165</u>	<u>1,143,027</u>
COST OF SALES		<u>604,211</u>	<u>968,671</u>
GROSS PROFIT		<u>857,954</u>	<u>174,356</u>
EXPENSES			
Accretion	11	46,619	36,193
Advertising and promotion		507,877	281,318
Amortization	5, 11	125,756	445,410
Management and consulting fees	7	1,420,097	1,893,563
Office and administration	7	598,008	444,545
Professional fees		1,487,724	300,474
Research and development		1,732,069	1,724,309
Salaries and wages		2,167,939	2,358,828
Selling and administrative		7,824	72,164
Share-based payments	6	4,362,072	3,751,263
Transfer agent		75,692	68,441
		<u>(12,531,677)</u>	<u>(11,376,508)</u>
		(11,673,723)	(11,202,152)
OTHER			
Foreign exchange loss		(101,194)	(23,847)
Gain on sale of property and equipment		-	161,989
Bad debt expense		<u>(5,638)</u>	<u>(58,347)</u>
Loss and comprehensive loss for the year		\$ (11,780,555)	\$ (11,122,357)
Basic and diluted loss per common share		\$ (0.07)	\$ (0.08)
Weighted average number of common shares outstanding		157,891,120	135,219,317

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

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

	Note	Share Capital		Reserves	Deficit	Total
		Number	Amount			
Balance June 30, 2019		125,830,725	\$ 31,536,277	\$ 10,069,611	\$ (38,791,703)	\$ 2,814,185
Shares issued on exercise of options	6	13,190,000	6,593,267	(3,074,017)	-	3,519,250
Shares issued on exercise of warrants	6	3,764,093	2,041,249	-	-	2,041,249
Stock options cancelled	6	-	78,530	(78,530)	-	-
Shared-based payments	6	-	-	3,751,263	-	3,751,263
Net loss for the year		-	-	-	(11,122,357)	(11,122,357)
Balance, June 30, 2020		142,784,818	\$ 40,249,323	\$ 10,668,327	\$ (49,914,060)	\$ 1,003,590
Units issued on private placement	6	13,493,332	2,311,385	724,615	-	3,036,000
Share issuance costs	6	-	(88,144)	31,082	-	(57,062)
Shares issued on exercise of options	6	15,621,000	6,817,026	(2,784,778)	-	4,032,248
Shares issued on exercise of warrants	6	1,353,027	551,228	(145,320)	-	405,908
Shared-based payments	6	-	-	4,362,072	-	4,362,072
Net loss for the year		-	-	-	(11,780,555)	(11,780,555)
Balance, June 30, 2021		173,252,177	\$ 49,840,818	\$ 12,855,998	\$ (61,694,615)	\$ 1,002,201

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

RELIQ HEALTH TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended	
	June 30, 2021	June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (11,780,555)	\$ (11,122,357)
Items not affecting cash:		
Amortization	125,756	445,410
Accretion	46,619	36,193
Gain on sale of equipment	-	(161,989)
Share-based payments	4,362,072	3,751,263
Bad debt expense	5,638	58,347
Changes in non-cash working capital items:		
Trade and other receivables	(1,137,184)	(479,446)
Inventory	547,563	968,671
Prepaid expenses	(47,255)	(17,667)
Accounts payable and accrued liabilities	817,941	288,949
Cash used in operating activities	<u>(7,059,405)</u>	<u>(6,232,626)</u>
Interest paid	(46,619)	(24,578)
Net cash used in operating activities	<u>(7,106,024)</u>	<u>(6,257,204)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on redemption of term deposit	23,000	-
Purchase of equipment	-	(50,205)
Proceeds received from sale of equipment	-	422,478
Cash from investing activities	<u>23,000</u>	<u>372,273</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from stock option exercises	4,032,248	3,519,250
Proceeds from warrant exercises	405,908	2,041,249
Cash received from loan	-	40,000
Proceeds from private placement	3,036,000	-
Share issue costs	(57,062)	-
Repayment of lease liability	(120,570)	(47,798)
Cash from financing activities	<u>7,296,524</u>	<u>5,552,701</u>
Change in cash during the year	213,500	(332,230)
Cash, beginning of year	<u>12,799</u>	<u>345,029</u>
Cash, end of year	<u>\$ 226,299</u>	<u>\$ 12,799</u>

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

RELIQ HEALTH TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

(Expressed in Canadian Dollars)

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 telemedicine and virtual care solutions for the global healthcare market. Reliq’s iUGO Care technology platform is a comprehensive Software as a Service (SaaS) solution that allows complex patients to receive high quality care in the home, improving health outcomes, enhancing quality of life for patients and 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.

1. GOING CONCERN

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. At June 30, 2021, the Company had not achieved profitable operations, had negative cash flows from operations, had accumulated a deficit of \$61,694,615 (June 30, 2020 - \$49,914,060) since inception and expects to incur further operating losses in the development of its business. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary revenues from sales and/or cash from financing to continue to provide its goods and services to customers, 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.

These consolidated financial statements do not include any adjustments to the carrying amounts of assets, the reported revenues and expenses, and the balance sheet classifications used if the going concern basis was not appropriate.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements 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. Significant accounting policies are presented in note 3 to these consolidated financial statements and have been consistently applied in each of the periods presented. Certain comparative information has been reclassified to conform to the current year’s presentation. These consolidated financial statements were authorized for issue by the Company’s Board of Directors on October 28, 2021.

Accounting estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have an impact on future periods. The more significant areas requiring the use of management estimates and judgments are discussed below:

2. BASIS OF PREPARATION (continued)

Accounting estimates and judgements (continued)

i. Recovery of deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amounts of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of loss and comprehensive loss.

ii. Share-based payments

The amounts recorded for share-based compensation are based on estimates. The Black Scholes model is used to estimate the fair value of stock options at the date of grant based on estimates of assumptions for share price, expected volatility, expected number of options to vest, dividend yield, risk-free interest rate, and expected life of the options. Changes in these assumptions may result in a material change to the amounts recorded for share-based payments recorded in the statement of loss.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities owned 100% 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 subsidiaries 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.

Term deposits

Term deposits have a term to maturity longer than 90 days but are cashable without penalty.

Inventory

Inventory consists of medical devices valued at the lower of the actual costs and net realizable value. The Company periodically reviews its inventory for obsolete items.

Impairment of non-financial assets

Non-financial assets are reviewed at each reporting date for indicators of impairment. If such indicators exist, the asset's recoverable amount is estimated. 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 the statement of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Company earns revenue through a Software as a Service model, selling subscriptions to its iUGO CARE platform to clients in the healthcare market. 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.

Sale of devices

Revenue from the sale of devices that are held for resale is recognized upon transfer of control of the devices to the customer at an amount that reflects the consideration the Company expects to receive in exchange for the devices, provided that the collection of payment is reasonably assured.

Research and development costs

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

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

As at June 30, 2021 and 2020, the Company has no development costs that met such criteria.

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

Leases

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a Right of Use ("ROU") asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the term of the lease.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement date, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are presented separately from property and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

As part of its remuneration plan, 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.

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

Foreign currency translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency 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. All gains and losses on translation of these foreign currency transactions are included in 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

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Company reclassifies assets when and only when its business model for managing those assets changes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

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.

4. TRADE AND OTHER RECEIVABLES

	June 30, 2021	June 30, 2020
Trade receivables	\$ 2,197,056	\$ 1,046,757
Other – GST receivable	37,286	22,258
	<u>2,234,342</u>	<u>1,069,015</u>
Less: provision for expected credit losses	72,862	39,081
	<u>\$ 2,161,480</u>	<u>\$ 1,029,934</u>

Estimates are used in determining the impairment loss related to trade receivables. These estimates are based on management's best estimate of the expected credit loss of the related receivable balance, which involves estimates around the cash flows that are expected to be received. The Company applies a simplified approach in calculating expected credit losses and recognizes a loss allowance based on lifetime expected credit losses at each reporting date.

5. INVENTORY

The Company held inventory of \$545,766 as at June 30, 2021 (June 30, 2020 - \$1,093,329). Inventory consists of medical devices held for sale.

Inventory expensed in the consolidated statement of loss and comprehensive loss in cost of sales for the year ended June 30, 2021 was \$604,211 (2020 - \$968,671).

Prior to January 1, 2020, medical devices and consumables to be provided to patients that are placed onto the Company's iUGO Health technology platform were recorded as equipment and amortized over their useful lives. Amortization recorded for the 6-month period up to January 1, 2020 was \$335,329.

6. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common and preferred shares without par value.

Issued and outstanding

During the year ended June 30, 2021, the Company:

- a) Issued 13,493,332 units at a price of \$0.225 per unit for gross proceeds of \$3,036,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable for an additional share at a price of \$0.30 for a period of two years. In the event that the common shares of the Company trade at a closing price of greater than \$0.50 per share for ten (10) consecutive trading days, the Company may accelerate the expiry date of the warrants to expire on the 30th day after the date on which such notice is given to the warrant holders. The Company paid finders' fees of \$57,062 cash and 241,163 broker warrants in connection with the financing. The broker warrants are issued with the same terms as the warrants described above. The share purchase warrants and the broker warrants were valued at \$724,615 and \$31,082 respectively using the Black Scholes option pricing model with the following weighted average assumptions: expected volatility: 104%, expected life of the warrants: 2 years, expected dividend yield: 0%, and risk-free interest rate: 1.41%.
- b) Issued 15,621,000 common shares upon the exercise of 15,621,000 stock options for gross proceeds of \$4,032,248. In connection with the exercise of stock options, the Company transferred the fair value of \$2,784,778 from reserves to share capital.
- c) Issued 1,353,027 common shares upon the exercise of 1,353,027 warrants for gross proceeds of \$405,908. In connection with the exercise of share purchase warrants, the Company transferred the fair value of \$145,320 from reserves to share capital.

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, 2019	12,418,379	\$ 1.01	10,787,500	\$ 0.40
Granted	-	-	14,925,000	0.36
Expired	(7,418,127)	1.67	(1,525,000)	0.45
Exercised	(3,764,093)	0.57	(13,190,000)	0.21
Outstanding, June 30, 2020	1,236,159	0.18	10,997,500	0.44
Granted	6,987,829	0.30	20,625,000	0.31
Expired	-	-	(2,125,000)	0.47
Exercised	(1,353,027)	0.30	(15,621,000)	0.26
Outstanding, June 30, 2021	6,870,961	\$ 0.28	13,876,500	\$ 0.44
Exercisable, June 30, 2021	6,870,961	\$ 0.28	6,111,500	\$ 0.48

RELIQ HEALTH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021
(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES (continued)

Stock options and warrants (continued)

Options were exercised on a regular basis throughout the fiscal year. The weighted average share price during the year was \$0.41 per common share (2020 - \$0.42).

As at June 30, 2021, incentive stock options were outstanding as follows:

Number	Exercise price	Expiry Date	Weight Average Remaining Contractual Life (years)
125,000	\$ 0.25	August 28, 2022	1.16
1,500,000	\$ 1.12	January 10, 2023	1.53
1,295,000	\$ 0.25	December 17, 2024	3.47
125,000	\$ 0.31	January 21, 2024	2.56
250,000	\$ 0.17	June 10, 2024	2.95
160,000	\$ 0.25	July 5, 2024	3.02
100,000	\$ 0.24	July 23, 2024	3.07
100,000	\$ 0.25	August 2, 2024	3.09
900,000	\$ 0.48	October 9, 2024	3.28
375,000	\$ 0.44	January 7, 2025	3.53
1,006,500	\$ 0.24	July 9, 2025	4.03
500,000	\$ 0.26	November 20, 2025	4.39
1,100,000	\$ 0.23	December 2, 2025	4.43
340,000	\$ 0.23	January 6, 2026	4.52
3,600,000	\$ 0.23	February 1, 2026	4.59
1,600,000	\$ 0.43	April 19, 2026	4.81
800,000	\$ 0.39	May 12, 2026	4.87
<u>13,876,500</u>			

As at June 30, 2021, the weighted average remaining contract life of the stock options outstanding is 3.99 years.

As at June 30, 2021, share purchase warrants were outstanding as follows:

Number	Exercise price	Expiry Date
304,284	\$ 0.13	March 29, 2022
205,920	\$ 0.23	April 23, 2022
293,195	\$ 0.25	June 30, 2022
4,332,656	\$ 0.30	November 13, 2022
1,252,145	\$ 0.30	December 3, 2022
378,665	\$ 0.10	June 30, 2023
54,095	\$ 0.10	June 30, 2024
<u>6,820,960</u>		

As at June 30, 2021, the weighted average remaining contract life of the stock purchase warrants outstanding is 1.37 years.

6. SHARE CAPITAL AND RESERVES (continued)

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 policies of the TSX Venture Exchange. The expiry date for each option should be for a maximum term of five years.

On December 18, 2019, the Company granted 3,100,000 stock options to members of the management team and medical advisory board, 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 year ended June 30, 2020, the Company recorded a share-based payment of \$105,316.

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 vested 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 year ended June 30, 2021, the Company recorded a share-based payment expense of \$295 related to these options (2020 - \$10,479).

On February 28, 2019, the Company granted 500,000 stock options to a 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 \$96,000 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 year ended June 30, 2021, the Company recorded a share-based payment of \$2,619 related to these options (2020 - \$39,786).

On June 10, 2019, the Company granted 3,875,000 stock options to consultants and an employee, with an exercise price of \$0.17 expiring on June 10, 2024. A total of 3,625,000 options vested immediately and the remaining 250,000 options vest over 18 months and were valued at \$507,625 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 105%, expected life of the options: 5 years, expected dividend yield: 0%, and risk-free interest rate: 1.42%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$2,426 related to these options (2020 - \$20,451).

On July 5, 2019, the Company granted 1,500,000 stock options to a member of the management team and a director of the Company, with an exercise price of \$0.25 expiring on July 5, 2024. These options vest immediately and were valued at \$292,817 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 107%, expected life of the options: 5 years, expected dividend yield: 0%, and risk-free interest rate: 1.54%. During the year ended June 30, 2020, the Company recorded a share-based payment of \$292,817 related to these options.

On July 23, 2019, the Company granted 200,000 stock options to employees, with an exercise price of \$0.235 expiring on July 23, 2024. The options vest over 18 months and were valued at \$36,600 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 104%, expected life of the options: 5 years, expected dividend yield: 0%, and risk-free interest rate: 1.41%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$7,538 related to these options (2020 - \$65,662).

On August 2, 2019, the Company granted 1,800,000 stock options to consultants and an employee, with an exercise price of \$0.245 expiring on August 2, 2024. A total of 1,700,000 options vested immediately and the remaining 100,000 options vest over 18 months and were valued at \$336,600 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 104%, expected life of the options: 5 years, expected dividend yield: 0%, and risk-free interest rate: 1.36%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$2,648 related to these options (2020 - \$333,951).

On October 9, 2019, the Company granted 1,450,000 stock options to consultants and employees, with an exercise price of \$0.475 expiring on October 9, 2024. A total of 1,250,000 options vested immediately and the remaining 200,000 options vest over 18 months and were valued at \$551,000 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 106%, expected life of the options: 5 years, expected dividend yield: 0%, and risk-free interest rate: 1.32%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$14,099 related to these options (2020 - \$536,901).

6. SHARE CAPITAL AND RESERVES (continued)

On December 30, 2019, the Company granted 3,500,000 stock options to consultants, with an exercise price of \$0.425 expiring on December 30, 2024. These options vest immediately and were valued at \$1,176,000 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 107%, expected life of the options: 5 years, expected dividend yield: 0%, and risk-free interest rate: 1.66%. During the year ended June 30, 2020, the Company recorded a share-based payment of \$1,176,000 related to these options.

On January 7, 2020, the Company granted 875,000 stock options to consultants, with an exercise price of \$0.44 expiring on January 7, 2025. These options vest over 18 months and were valued at \$308,000 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 100%, expected life of the options: 5 years, expected dividend yield: 0%, and risk-free interest rate: 1.66%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$115,500 related to these options (2020 - \$192,500).

On March 18, 2020, the Company granted 5,400,000 stock options to consultants, with an exercise price of \$0.225 expiring on March 18, 2025. These options vest immediately and were valued at \$977,400 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 100%, expected life of the options: 5 years, expected dividend yield: 0%, and risk-free interest rate: 1.66%. During the year ended June 30, 2020, the Company recorded a share-based payment of \$977,400 related to these options.

On July 9, 2020, the Company granted 4,800,000 stock options to consultants, with an exercise price of \$0.235 expiring on July 9, 2025. These options vested immediately and were valued at \$740,683 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 120%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.29%.

On August 28, 2020, the Company granted 125,000 stock options to consultants, with an exercise price of \$0.25 expiring on August 28, 2022. These options vested immediately and were valued at \$20,792 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 118%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.29%.

On November 20, 2020, the Company granted 500,000 stock options to consultants, with an exercise price of \$0.26 expiring on November 20, 2025. These options vested immediately and were valued at \$85,117 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 119%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.42%.

On December 2, 2020, the Company granted 6,250,000 stock options to consultants, with an exercise price of \$0.26 expiring on December 2, 2025. These options vested immediately and were valued at \$946,059 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 119%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.31%.

On December 2, 2020, the Company granted 850,000 stock options to staff, with an exercise price of \$0.26 expiring on December 2, 2025. These options vest over 18 months and were valued at \$128,664 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: varied, expected life of the options: varied, expected dividend yield: 0%, and risk-free interest rate: 0.31%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$93,591 related to these options.

On January 6, 2021, the Company granted 500,000 stock options to an officer of the Company, with an exercise price of \$0.415 expiring on January 6, 2026. These options vest over 12 months and were valued at \$140,420 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: varied, expected life of the options: varied, expected dividend yield: 0%, and risk-free interest rate: 0.31%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$113,144 related to these options.

On February 1, 2021, the Company granted 125,000 stock options to staff, with an exercise price of \$0.33 expiring on February 1, 2026. These options vest over 18 months and were valued at \$40,104 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 123%, expected life of the options: 2.875 years, expected dividend yield: 0%, and risk-free interest rate: 0.18%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$25,046 related to these options.

6. SHARE CAPITAL AND RESERVES (continued)

On February 1, 2021, the Company granted 275,000 stock options to staff, with an exercise price of \$0.44 expiring on February 1, 2026. These options vest over 18 months and were valued at \$81,055 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 123%, expected life of the options: 2.875 years, expected dividend yield: 0%, and risk-free interest rate: 0.18%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$51,933 related to these options.

On February 1, 2021, the Company granted 3,700,000 stock options to consultants, with an exercise price of \$0.44 expiring on February 1, 2026. These options vest immediately and were valued at \$1,088,671 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 123%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.18%.

On April 19, 2021, the Company granted 1,600,000 stock options to consultants, with an exercise price of \$0.43 expiring on April 19, 2026. These options vest immediately and were valued at \$608,357 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 109%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.50%.

On May 12, 2021, the Company granted 1,900,000 stock options to consultants, with an exercise price of \$0.385 expiring on May 12, 2026. These options vest immediately and were valued at \$443,554 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 107%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.53%.

7. RELATED PARTY TRANSACTIONS

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

a) Key management personnel compensation

Key management compensation comprised the following.

		June 30, 2021	For the year ended June 30, 2020
Salaries and other compensation	\$	865,204	\$ 1,170,124
Short-term employee benefits		80,520	189,450
Share based payments		601,400	523,229
	\$	1,547,124	\$ 1,882,803

7. RELATED PARTY TRANSACTIONS (continued)

b) Key management personnel transactions

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows.

Transactions	For the year ended	
	June 30, 2021	June 30, 2020
Office and administration ¹	\$ 113,964	\$ 105,150
Management and consulting fees ²	120,000	120,000
	\$ 233,964	\$ 225,150

¹ Consists of paid professional, administrative, advertising and promotion fees paid to a company owned by a director of the Company.

² Consists of paid professional fees paid to a director of the Company.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Classification of financial instruments

As at June 30, 2021	Financial assets – FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	\$	\$	\$
Cash	226,299	-	-
Term deposits	100,000	-	-
Trade and other receivables	-	2,161,480	-
Accounts payable and accrued liabilities	-	-	2,056,857
Loan payable	-	-	40,000
Lease liabilities	-	-	362,737
			362,737

As at June 30, 2020	Financial assets – FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	\$	\$	\$
Cash	12,799	-	-
Term deposits	123,000	-	-
Trade and other receivables	-	1,029,934	-
Accounts payable and accrued liabilities	-	-	1,238,916
Loan payable	-	-	40,000
Lease liabilities	-	-	420,045
			420,045

The carrying values of the Company's financial instruments carried at amortized cost approximate fair values due to their short duration. 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 and services 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.

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.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2021, the Company had cash and term deposits of \$326,299 (June 30, 2020 - \$135,799) to settle accounts payable and accrued liabilities of \$2,056,857 (June 30, 2020 - \$1,238,916).

9. 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 and warrants. 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.

10. CONTINGENCIES

The Company is aware of a Notice of Claim that was filed with the Supreme Court of British Columbia on November 20, 2019, 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.

RELIQ HEALTH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021
(Expressed in Canadian Dollars)

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

Cost:	Property Leases
	\$
At June 30, 2019	69,226
Additions	387,002
At June 30, 2020	456,228
Additions	63,262
At June 30, 2021	519,490
Depreciation:	
At June 30, 2019	-
Charge for the year	110,081
At June 30, 2020	110,081
Charge for the year	125,756
At June 30, 2021	235,837
Net Book Value:	
At June 30, 2020	346,147
At June 30, 2021	283,653

Lease liabilities

	\$
Lease liabilities recognized as of July 1, 2019	69,226
Additions	398,617
Lease payments made	(83,991)
Interest expense on lease liabilities	36,193
	420,045
Less: current portion	(178,596)
At June 30, 2020	241,449
Lease liabilities at June 30, 2020	420,045
Additions	63,262
Lease payments made	(167,189)
Interest expense on lease liabilities	46,619
	362,737
Less: current portion	(181,352)
At June 30, 2021	181,385

RELIQ HEALTH TECHNOLOGIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021
(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

The assets and operations of the Company are located in Canada and the United States. The Company has one reportable business segment in the development of innovative software solutions for the Community Care market.

	Canada \$	USA \$	Total \$
Year ended June 30, 2021			
Revenues	-	1,462,165	1,462,165
Total expenses	(9,942,528)	(3,300,192)	(13,242,720)
Net loss	(9,942,528)	(1,838,027)	(11,780,555)
Year ended June 30, 2020			
Revenues	-	1,143,027	1,143,027
Total expenses	(8,602,681)	(3,662,703)	(12,265,384)
Net loss	(8,602,681)	(2,519,676)	(11,122,357)
As at June 30, 2021			
Current assets	976,751	2,201,391	3,178,142
Total assets	1,260,404	2,201,391	3,461,795
Current liabilities	1,459,230	778,979	2,238,209
Total liabilities	1,680,615	778,979	2,459,594
As at June 30, 2020			
Current assets	1,226,313	1,130,091	2,356,404
Total assets	1,595,927	1,106,624	2,702,551
Current liabilities	529,190	888,322	1,417,512
Total liabilities	1,417,512	281,449	1,698,961

13. INCOME TAXES

a) Amounts recognized in the consolidated statement of loss and comprehensive loss.

	2021	2020
Deferred tax expense		
Origination and reversal of temporary differences	\$(1,976,600)	\$(1,951,517)
Derecognition of deductible temporary differences	1,976,600	1,951,517
Tax expense in operations	\$ -	\$ -

b) Reconciliation of effective tax rate:

	2021	2020
Loss before tax from operations	\$(11,780,555)	\$(11,122,357)
Tax recovery using the statutory rate of 26.5% (2020 - 26.5%)	(3,121,847)	(2,947,425)
Stock based compensation	1,155,950	994,085
Non-deductible expenses	-	1,823
Change in amounts for which no deferred tax asset is recognized	1,976,600	1,951,517
Other	(10,703)	-
Total income tax expense (recovery)	\$ -	\$ -

13. INCOME TAXES (continued)

c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future tax profit will be available against which the Company can use the benefits therefrom.

	2021		2020	
	Gross Amount	Tax Effect	Gross Amount	Tax Effect
Financing costs and other deductible temporary differences	\$ 1,944,715	\$ 515,349	\$ 1,175,381	\$ 311,476
Canadian exploration and development, and foreign resource expenses	1,640,423	434,712	1,640,423	434,712
Tax losses	41,577,717	10,892,986	34,888,177	9,120,259
	\$45,162,855	\$11,843,047	\$37,703,981	\$9,866,447

The 2020 comparative amounts have been updated to reflect the balances in the Company's historical tax returns filed in the 2021 fiscal year.

d) Tax losses carried forward

Tax Losses for which no deferred tax asset was recognized expire as follows:

	2021	Expiry date	2020	Expiry date
Expire	\$ 40,633,508	2026-2041	\$ 33,943,968	2026-2041
Never Expire	944,209	-	944,209	-

The 2020 comparative amounts have been updated to reflect the balances in the Company's historical tax returns filed in the 2021 fiscal year.

e) Uncertainty over income tax treatments

The Company's subsidiaries have outstanding tax filings with the tax authorities. Availability of historical information pertaining to certain adjustments in these years is limited. As a result, the Company has excluded \$4,141,995 (2020 - \$4,141,995) of gross tax losses pertaining to historical periods from its tax note. As the deferred tax assets are not recognized, there is no impact to the consolidated statement of loss and comprehensive income. The Company believes that no accruals are necessary for open tax years based on its assessment of many factors, including prior experience.

14. COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact across the world. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus.

Several measures were put in place which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses and organizations globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

At the time of approval of these financial statements, the Company has experienced and undertaken the following activities in relation to the COVID-19 pandemic:

- Receipt of the Canada Emergency Business Account loan in fiscal 2020 in the amount of \$40,000 which is interest-free with up to \$10,000 forgiven if fully repaid on or before December 31, 2022. Subsequently, the loan can be extended for an additional 3 years bearing interest of 5% per annum. The loan can be repaid at any time without penalty and no principal payments are required until December 31, 2025 when the full amount of the loan is due.
- Extension of customer payment terms.
- Mandatory working from home requirements for those able to do so.

At this time these factors present uncertainty over future cash flows, may cause changes to the assets or liabilities and may have an impact on future operations. An estimate of the financial effect is not practicable at this time.

15. SUBSEQUENT EVENT

Subsequent to June 30, 2021, the Company:

- Issued 10,917,144 common shares on the exercise of 10,917,144 stock options for gross proceeds of \$4,174,851; and
- Granted 8,470,000 options to consultants and employees of the Company with various exercise prices and expiry dates.