



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

(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, 2022 and June 30, 2021
- 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, 2022 and June 30, 2021, 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.



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 cash flows from operations and an accumulated deficit.

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.



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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'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

November 1, 2022

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

		As at June 30,	
	Note	2022	2021
ASSETS			
Current			
Cash		\$ 132,781	\$ 226,299
Term deposits		100,000	100,000
Trade and other receivables	4	2,265,836	2,161,480
Current portion of long-term receivables	4	4,094,841	-
Prepaid expenses		102,647	144,597
Inventory	5	272,480	545,766
Total current assets		6,968,585	3,178,142
Long-term receivables	4	3,122,758	-
Right of use assets	10	175,945	283,653
Total long-term assets		3,298,703	283,653
Total assets		\$ 10,267,288	\$ 3,461,795
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		\$ 3,591,424	\$ 2,056,857
Lease liabilities	10	120,843	181,352
Total current liabilities		3,712,267	2,238,209
Long-term			
Loan payable	13	40,000	40,000
Lease liabilities	10	144,161	181,385
Total long-term liabilities		184,161	221,385
Total liabilities		\$ 3,896,428	\$ 2,459,594
Shareholders' equity			
Share capital	6	62,571,373	49,840,818
Reserves	6	13,521,083	12,855,998
Subscription received in advance	6	144,000	-
Accumulated deficit		(69,865,596)	(61,694,615)
Total shareholders' equity		6,370,860	1,002,201
Total liabilities and shareholders' equity		\$ 10,267,288	\$ 3,461,795

Going concern (Note 1)

Subsequent events (Note 14)

Approved on behalf of the Board on November 1, 2022:

"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)

		For the year-ended June 30,	
	Note	2022	2021
REVENUE			
Device sales		\$ 6,033,799	\$ 1,476,262
Software and services revenue		2,739,516	134,264
Returns		(221,508)	(148,361)
Net revenue		8,551,807	1,462,165
COST OF SALES	5	(3,250,503)	(604,211)
GROSS PROFIT		5,301,304	857,954
EXPENSES			
Accretion	10	35,280	46,619
Advertising and promotion		492,646	507,877
Amortization	10	115,287	125,756
Management and consulting fees	7	1,484,087	1,420,097
Office and administration	7	1,073,571	598,008
Professional fees		197,896	1,487,724
Research and development		2,222,476	1,732,069
Salaries and wages		1,691,000	2,167,939
Selling and administrative		-	7,824
Share-based payments	6	5,507,426	4,362,072
Provision for expected credit losses	4	738,249	5,638
Transfer agent		74,414	75,692
		(13,632,332)	(12,537,315)
Loss from operations		(8,331,028)	(11,679,361)
OTHER			
Interest income		76,608	-
Foreign exchange		83,439	(101,194)
		160,047	(101,194)
Loss and comprehensive loss for the year		\$ (8,170,981)	\$ (11,780,555)
Basic and diluted loss per common share		\$ (0.04)	\$ (0.07)
Weighted average number of common shares outstanding		183,085,929	157,891,120

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)

		<u>Share Capital</u>							
	Note	Number	Amount	Reserves	Obligation to issue shares	Deficit	Total		
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		
Shares issued on exercise of options	6	14,571,500	12,418,992	(4,757,914)	—	—	7,661,078		
Shares issued on exercise of warrants	6	757,119	311,563	(84,427)	—	—	227,136		
Subscription received in advance	6	—	—	—	144,000	—	144,000		
Shared-based payments	6	—	—	5,507,426	—	—	5,507,426		
Net loss for the year		—	—	—	—	(8,170,981)	(8,170,981)		
Balance, June 30, 2022		188,580,796	\$ 62,571,373	\$ 13,521,083	\$ 144,000	\$ (69,865,596)	\$ 6,370,860		

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

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

	For the year-ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (8,170,981)	\$ (11,780,555)
Items not affecting cash:		
Amortization	115,287	125,756
Accretion	35,280	46,619
Share-based payments	5,507,426	4,362,072
Unrealized foreign exchange on ROU assets	(7,579)	-
Changes in non-cash working capital items:		
Trade and other receivables	(104,356)	(1,131,546)
Long-term receivables	(7,217,599)	-
Prepaid expenses	41,950	(47,255)
Inventory	273,286	547,563
Accounts payable and accrued liabilities	1,534,567	817,941
Cash used in operating activities	(7,992,719)	(7,059,405)
Interest paid on lease liabilities	(35,280)	(46,619)
Net cash used in operating activities	(8,027,999)	(7,106,024)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on redemption of term deposit	-	23,000
Cash from investing activities	-	23,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	7,661,078	4,032,248
Proceeds from exercise of warrants	227,136	405,908
Proceeds from private placement	-	3,036,000
Share issue costs	-	(57,062)
Subscription received in advance	144,000	-
Repayment of lease liabilities	(97,733)	(120,570)
Cash from financing activities	7,934,481	7,296,524
Change in cash during the year	(93,518)	213,500
Cash, beginning of year	226,299	12,799
Cash, end of year	\$ 132,781	\$ 226,299

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

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 & 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, 2022, the Company had not achieved profitable operations, had negative cash flows from operations, had accumulated a deficit of \$69,865,596 (June 30, 2021 - \$61,694,615) 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 the 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 largely through the issuance of options to consultants, 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 31, 2022.

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. IFRS 15 revenue from contracts with customers

The Company uses judgment to assess whether multiple products and services sold in a contract are considered distinct and should be accounted as separate performance obligations or together. Judgments are required to determine the stand-alone selling price for each distinct performance obligation in order to allocate revenue where multiple performance obligations exist in a contract. Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management continually and routinely reviews changes in the facts and macro environment to assess credit risks on trade receivables and other receivables. Judgement is also needed in assessing the ability to collect trade receivables, separate from credit risks.

ii. Discount rate on contracts with a significant financing component

When the period between the receipt of consideration and revenue recognition is greater than one year, the Company determines whether the financing component is significant to the contract. Where a contract is determined to have a significant financing component, the transaction price is adjusted to reflect the financing. The discount rate used in adjusting the promised amount of consideration is the rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. This rate is not subsequently adjusted for any other changes over the contract term. The accretion of the interest income is recognized in the interest income line in the consolidated statements of loss and comprehensive loss.

iii. Expected credit loss allowance and provision

The Company recognizes an amount equal to the lifetime expected credit loss ("ECL") on trade and long-term receivables, and other receivables for which there has been a significant increase in credit risk since initial recognition. Loss allowances are measured based on historical experience and forecasted economic conditions. The amount of ECL is sensitive to changes in circumstances of forecasted economic conditions.

iv. 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 the issuance of stock options.

v. 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.

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.

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.

Revenue recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers. The Company earns revenue through a Software as a Service model, selling subscriptions to its iUGO CARE platform, monitoring units, and service revenue. Revenue is measured at the fair value of the consideration received or receivable for services, net of discounts and sales taxes. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the services are distinct from some or all of the other services in the contract. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contract with the customer. Where a contract consists of more than one performance obligation, revenue for each performance obligation is recognized primarily on the relative fair value basis for each performance obligation.

Software and service arrangements

Revenue from subscriptions to the iUGO CARE platform, which allows customers to use the Company's cloud-based hosted software without taking possession of the software, are earned on a usage basis. Revenue from Software as a Service subscriptions and other service revenues are recognized in the month the customer uses the particular service.

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.

Significant financing

The Company accounts for a significant financing component on contracts of more than 12 months where timing of cash receipts and revenue recognition differ substantially. The transaction price for such contracts is adjusted for the time value of money, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component.

3. SIGNIFICANT ACCOUNTING POLICIES

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, 2022 and 2021, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payments (continued)

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 transactions 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 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

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 debt instruments when and only when its business model for managing those assets changes.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

Impairment

The Company applies an expected credit loss ("ECL") impairment model, which applies to financial assets measured at amortized cost. The ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event. Except for trade receivables, the ECL model requires the recognition of credit losses based on 12 months of expected losses for financial assets and the recognition of lifetime expected losses on financial assets that have experienced a significant increase in credit risk since origination or which are considered credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. ECL's are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls representing the difference between the cash flows due to the entity in accordance with the contract and the cash flow an entity expects to receive. The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECL's.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and including forward looking information. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a portion or the full amount. The Company assesses the timing of write-offs based on whether there is a reasonable expectation of recovery. Impairment losses related to trade and other receivables are presented within general and administrative expenses.

Income taxes

Income tax expense is comprised 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 accounting standards, interpretations and amendments not yet effective

There are a number of new accounting standards, amendments to standards, and interpretations which have been issued by the International Accounting Standards Board (IASB) that are effective in future accounting periods that are not expected to have a material impact on the Company in the year of adoption and as such are not included here.

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements (the 2020 amendments), to clarify the classification of liabilities as current or non-current. The 2020 amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. The 2020 amendments are effective for annual periods beginning on or after January 1, 2023 with early adoption permitted. Adoption of these amendments are not expected to have a material impact on the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards, interpretations and amendments not yet effective (continued)

In February 2021, the IASB issued amendments to two existing accounting standards regarding accounting estimates and accounting policies. The amendments issued were Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), which helps preparers determine which accounting policies to disclose in their financial statements, and Definition of Accounting Estimates (Amendment to IAS 8) which helps entities to distinguish between accounting policies and accounting estimates. These amendments are applicable starting January 1, 2023 with early adoption permitted. Adoption of these amendments are not expected to have a material impact on the Company.

4. TRADE AND OTHER RECEIVABLES

	June 30, 2022	June 30, 2021
Trade receivables	\$ 2,378,805	\$ 2,197,056
Other – GST receivable	245,438	37,286
	2,624,243	2,234,342
Less: provision for expected credit losses	358,407	72,862
	<u>\$ 2,265,836</u>	<u>\$ 2,161,480</u>

Long-term receivables

Long-term receivables represent receivables associated with revenue contracts whereby certain customers make fixed monthly installment payments over a period of time, ranging from one to two years, for performance obligations delivered upfront.

	June 30, 2022	June 30, 2021
Current portion of long-term receivables	\$ 4,221,486	-
Less: provision for expected credit losses current	126,645	-
	<u>4,094,841</u>	
Non-current portion of long-term receivables	3,375,955	-
Less: provision for expected credit losses long-term	253,197	-
	<u>\$ 3,122,758</u>	<u>-</u>

Total provision for expected credit losses as at June 30, 2022 is \$738,249 (2021 - \$72,862).

5. INVENTORY

The Company held inventory of \$272,480 as at June 30, 2022 (June 30, 2021 - \$545,766). Inventory consisted 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, 2022 was \$2,644,051 (2021 - \$604,211).

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, 2022, the Company:

- Issued 14,571,500 (2021 - 15,621,000) common shares upon the exercise of 14,571,500 (2021 - 15,621,000) stock options for gross proceeds of \$7,661,078 (2021 - \$4,032,248). In connection with the exercise of stock options, the Company transferred the fair value of \$4,757,914 (2021 - \$2,784,778) from reserves to share capital.
- Issued 757,119 (2021 - 1,353,027) common shares upon the exercise of 757,119 (2021 - 1,353,027) warrants for gross proceeds of \$227,136 (2021 - \$405,908). In connection with the exercise of share purchase warrants, the Company transferred the fair value of \$84,427 (2021 - \$145,320) from reserves to share capital.

6. SHARE CAPITAL AND RESERVES (continued)

Issued and outstanding (continued)

- c) During the period ended June 30, 2022, the Company received gross proceeds of \$144,000 (2021 - \$Nil) pursuant to stock options exercised subsequent to the period end.

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%.

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, 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
Granted	-	-	13,670,000	0.67
Expired	(803,400)	0.20	(1,465,000)	0.33
Exercised	(757,119)	0.30	(14,571,500)	0.53
Outstanding, June 30, 2022	5,310,442	\$ 0.28	11,510,000	\$ 0.62
Exercisable, June 30, 2022	5,310,442	\$ 0.28	11,185,000	\$ 0.62

Options were exercised on a regular basis throughout the fiscal year. The weighted average share price during the year was \$0.86 per common share (2021 - \$0.41).

6. SHARE CAPITAL AND RESERVES (continued)

Stock options and warrants (continued)

As at June 30, 2022, incentive stock options were outstanding as follows:

Number	Exercise price	Expiry Date	Weight Average Remaining Contractual Life (years)
650,000	\$ 1.00	August 9, 2022	0.11
125,000	0.25	August 28, 2022	0.16
1,300,000	1.12	January 10, 2023	0.53
450,000	0.25	December 17, 2024	2.47
75,000	0.31	January 21, 2024	1.56
250,000	0.17	June 10, 2024	1.95
160,000	0.25	July 5, 2024	2.02
300,000	0.48	October 9, 2024	2.28
350,000	0.44	January 7, 2025	2.53
100,000	0.24	July 9, 2025	3.03
200,000	0.23	December 2, 2025	3.43
1,100,000	0.43	April 19, 2026	3.81
3,400,000	0.61	August 3, 2026	4.10
1,000,000	0.81	September 24, 2026	4.24
500,000	0.86	October 4, 2026	4.27
950,000	0.95	December 20, 2026	4.48
600,000	0.72	April 18, 2027	4.80
11,510,000			

As at June 30, 2022, the weighted average remaining contract life of the stock options outstanding is 3.21 years (2021 – 3.99 years).

As at June 30, 2022, share purchase warrants were outstanding as follows:

Number	Exercise price	Expiry Date
3,750,628	\$ 0.30	November 13, 2022
1,127,054	0.30	December 3, 2022
378,665	0.10	June 30, 2023
54,095	0.10	June 30, 2024
5,310,442		

As at June 30, 2022, the weighted average remaining contract life of the stock purchase warrants outstanding is 0.45 years (2021 – 1.37 years).

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 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.

6. SHARE CAPITAL AND RESERVES (continued)

Share-based payments (continued)

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.

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.

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.

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.

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.

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.

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: 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 \$740,683 related to these options.

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%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$20,792 related to these options.

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%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$85,117 related to these options.

6. SHARE CAPITAL AND RESERVES (continued)

Share-based payments (continued)

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%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$946,059 related to these options.

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, 2022, the Company recorded a share-based payment of \$35,073 related to these options (2021 - \$93,591).

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, 2022, the Company recorded a share-based payment of \$27,276 related to these options (2021 - \$113,144).

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, 2022, the Company recorded a share-based payment of \$15,058 related to these options (2021 - \$25,046).

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, 2022, the Company recorded a share-based payment of \$29,122 related to these options (2021 - \$51,933).

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%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$1,088,671 related to these options.

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%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$608,357 related to these options.

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%. During the year ended June 30, 2021, the Company recorded a share-based payment of \$443,554 related to these options.

On July 19, 2021, the Company granted 2,470,000 stock options to consultants, with an exercise price of \$0.425 expiring on July 19, 2026. These options vested immediately and were valued at \$623,320 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 104%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.57%.

On August 3, 2021, the Company granted 4,350,000 stock options to consultants, with an exercise price of \$0.61 expiring on August 3, 2026. These options vested immediately and were valued at \$1,585,992 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 105%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.50%.

6. SHARE CAPITAL AND RESERVES (continued)

Share-based payments (continued)

On August 9, 2021, the Company granted 650,000 stock options to consultants, with an exercise price of \$1.00 expiring on August 9, 2022. These options vested immediately and were valued at \$75,325 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 99%, expected life of the options: 0.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.48%.

On September 24, 2021, the Company granted 1,000,000 stock options to consultants, with an exercise price of \$0.81 expiring on September 24, 2021. These options vested immediately and were valued at \$474,526 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 103%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.64%.

On October 4, 2021, the Company granted 500,000 stock options to consultants, with an exercise price of \$0.86 expiring on October 4, 2026. These options vested immediately and were valued at \$252,430 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 103%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.65%.

On December 15, 2021, the Company granted 1,500,000 stock options to consultants, with an exercise price of \$1.05 expiring on December 15, 2026. These options vested immediately and were valued at \$911,388 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 101%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 1.02%.

On December 20, 2021, the Company granted 1,700,000 stock options to staffs and consultants, with an exercise price of \$0.95 expiring on December 2, 2026. These options vest over 18 months and were valued at \$960,270 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 100%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 0.93%. During the period ended June 30, 2022, the Company recorded a share-based payment of \$860,303 related to these options.

On April 18, 2022, the Company granted 1,500,000 stock options to consultants, with an exercise price of \$0.72 expiring on April 18, 2027. These options vest immediately and were valued at \$617,613 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 97%, expected life of the options: 2.5 years, expected dividend yield: 0%, and risk-free interest rate: 2.48%.

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:

	For the year ended	
	June 30, 2022	June 30, 2021
Salaries and other compensation	\$ 715,939	\$ 805,204
Short-term employee benefits	27,020	42,020
Share based payments	785,320	601,400
	\$ 1,528,279	\$ 1,448,624

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, 2022	June 30, 2021
Office and administration ¹	\$ 151,478	\$ 113,964
Management and consulting fees ²	523,755	180,000
	\$ 675,233	\$ 293,964

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

² Consists of paid professional fees paid to a director and two officers of the Company who are paid as consultants.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Classification of financial instruments

As at June 30, 2022	Financial assets – FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	\$	\$	\$
Cash	132,781	-	-
Term deposits	100,000	-	-
Trade and other receivables	-	2,265,836	-
Long-term receivables	-	7,217,599	-
Accounts payable and accrued liabilities	-	-	3,591,424
Loan payable	-	-	40,000
Lease liabilities	-	-	265,004
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

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 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.

As at June 30, 2022, the Canadian dollar equivalent carrying amount of the Company's U.S. dollar denominated assets and liabilities was \$8,820,115 (2021 - \$2,201,391) and \$3,009,957 (2021 - \$778,979) respectively. Assuming all other variables remain constant, a fluctuation of +/- 5.0% in the exchange rate between the Canadian and U.S. dollars would impact the net loss for the period by approximately \$290,508 (2021 - \$71,121).

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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. The Company provides customers with repayment terms of 90 days on all sales and services and provides repayment terms over 12- and 24-month periods for sales of devices and other service revenues.

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. The provision for the loss allowances for trade receivables and other receivables are measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. The Company uses a provision matrix to analyze impairment of its trade receivables at the end of each reporting period. During the year ended June 30, 2022, the Company recognized an impairment loss allowance on receivables of \$738,249 (2021 - \$5,638).

The aging of the gross trade and other receivables and long-term receivables as at June 30, 2022 was:

	\$
Current (under 90 days)	7,943,732
Past due 1-30 days	182,824
Past due 31-60 days	253,980
Past due more than 61 days	1,595,710
Total	9,976,246

Approximately 80% of the total trade accounts receivable and other and long-term receivables at year end are not past due.

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, 2022, the Company had cash and term deposits of \$232,781 (June 30, 2021 - \$326,299) to settle accounts payable and accrued liabilities of \$3,591,424 (June 30, 2021 - \$2,056,857).

The table below provides a summary of the contractual obligations and payments related to financial liabilities due as at June 30, 2022. The amounts disclosed are the contractual undiscounted cash flows including interest:

	Total \$	Less than 1 year \$	1-4 years \$
Accounts payable and accrued liabilities	3,591,424	2,823,537	767,886
Lease liabilities	265,004	120,843	144,161

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. 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. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

	Property Leases
Cost:	\$
At June 30, 2020	456,228
Additions	63,262
At June 30, 2021	519,490
Foreign exchange	7,579
At June 30, 2022	527,069

Depreciation:	
At June 30, 2020	110,081
Charge for the year	125,756
At June 30, 2021	235,837
Charge for the year	115,287
At June 30, 2022	351,124

Net Book Value:	
At June 30, 2021	283,653
At June 30, 2022	175,945

Lease liabilities:

	\$
Lease liabilities as of July 1, 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
Lease liabilities as of June 30, 2021	362,737
Lease payments made	(133,013)
Interest expense on lease liabilities	35,280
	265,004
Less: current portion	(120,843)
At June 30, 2022	144,161

11. 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, 2022			
Revenues	-	8,551,807	8,551,807
Expenses			
Share-based payments	(5,078,803)	(428,623)	(5,507,426)
Cost of sales	-	(3,250,503)	(3,250,503)
Salaries and wages	(1,691,000)	-	(1,691,000)
Research and development	(1,671,205)	(551,271)	(2,222,476)
Management and consulting fees	(492,603)	(991,484)	(1,484,087)
Other	(1,288,041)	(1,439,302)	(2,727,343)
Total expenses	(10,221,652)	(6,661,183)	(16,882,835)
Net income (loss) from operations	(10,221,652)	1,890,624	(8,331,028)
Year ended June 30, 2021			
Revenues	-	1,462,165	1,462,165
Expenses			
Share-based payments	(3,930,684)	(431,388)	(4,362,072)
Cost of sales	-	(604,211)	(604,211)
Salaries and wages	(2,145,922)	(22,017)	(2,167,939)
Research and development	(13,200)	(1,718,869)	(1,732,069)
Management and consulting fees	(382,441)	(1,037,656)	(1,420,097)
Other	(2,378,734)	(476,404)	(2,855,138)
Total expenses	(8,850,981)	(4,290,545)	(13,141,526)
Net loss from operations	(8,850,981)	(2,828,380)	(11,679,361)
As at June 30, 2022			
Current assets	1,447,173	5,521,412	6,968,585
Total assets	1,447,173	8,820,115	10,267,288
Current liabilities	847,074	2,865,193	3,712,267
Total liabilities	886,471	3,009,957	3,896,428
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

For the year ended June 30, 2022, the Company had sales to two customers representing 39% of total revenues (2021 - two customers representing 49%).

12. INCOME TAXES

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

	For the year ended	
	June 30, 2022	June 30, 2021
Deferred tax expense		
Origination and reversal of temporary differences	\$ (717,227)	\$ (1,976,600)
Derecognition of deductible temporary differences	717,227	1,976,600
Tax expense in operations	\$ -	\$ -

12. INCOME TAXES (continued)

b) Reconciliation of effective tax rates

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	For the year ended	
	June 30, 2022	June 30, 2021
Loss for the year	\$ (8,170,981)	\$ (11,780,555)
Expected income tax recovery	(2,165,310)	(3,121,847)
Permanent differences	1,459,468	1,155,950
Change in unrecognized deductible temporary differences	717,227	1,976,600
Other	(11,385)	(10,703)
Tax expense in operations	\$ -	\$ -

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.

	June 30, 2022		June 30, 2021	
	\$		\$	
	Gross Amount	Tax Effect	Gross Amount	Tax Effect
Financing costs and other deductible temporary differences	1,348,117	357,000	1,944,714	515,349
Canadian exploration and development, and foreign resource expenses	1,640,423	434,712	1,640,423	434,712
Tax losses	44,598,339	11,818,560	41,105,613	10,892,987
	47,586,879	12,610,272	44,690,750	11,842,700

The 2021 comparative amounts have been updated to reflect the balances in the Company's historical tax returns filed in the 2022 fiscal year.

d) Tax losses carried forward

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

	June 30, 2022		June 30, 2021	
	\$	Expiry Date	\$	Expiry Date
Expire	43,654,130	2026-2042	40,633,508	2026-2041
Never expire	944,209	-	944,209	-

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 (2021 - \$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 loss. The Company believes that no accruals are necessary for open tax years based on its assessment of many factors, including prior experience.

13. 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 the amount of \$40,000 which is interest-free with up to \$10,000 forgiven if fully repaid on or before December 31, 2023. 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.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2022, the Company:

- Issued 2,800,000 common shares on the exercise of 2,800,000 stock options for gross proceeds of \$1,650,000;
- Granted 3,500,000 options to consultants and employees of the Company with various exercise prices and expiry dates; and
- Issued 1,139,350 common shares on the exercise of 1,139,350 warrants for gross proceeds of \$341,805.