



**RELAY MEDICAL CORP.  
(FORMERLY CHROMEDX CORP.)  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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## Independent Auditors' Report

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To the Shareholders of Relay Medical Corp. (formerly, ChroMedX Corp.):

We have audited the accompanying consolidated financial statements of Relay Medical Corp. (formerly ChroMedX Corp.) and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Relay Medical Corp. (formerly ChroMedX Corp.) as at September 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Relay Medical Corp.'s (formerly ChroMedX Corp.) ability to continue as a going concern.

January 28, 2019  
Toronto, Ontario

*MNP LLP*

Chartered Professional Accountants  
Licensed Public Accountants

**MNP**

**RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

| As at  | September 30, 2018  | September 30, 2017  |
|--|---------------------|---------------------|
| <b>Assets</b>                                      |                     |                     |
| <b>Current assets</b>                              |                     |                     |
| Cash and cash equivalents                          | \$ 2,295,779        | \$ 477,115          |
| HST and accounts receivable                        | 498,565             | 116,034             |
| Prepaid expenses                                   | 210,962             | 8,704               |
|  | <b>3,005,306</b>    | <b>601,853</b>      |
| <b>Non-current assets</b>                          |                     |                     |
| Reclamation bonds (Note 9)                         | 70,988              | 70,988              |
| Promissory note (note 8)                           | -                   | 59,429              |
| Intangible assets (notes 6 and 7)                  | 4,238,710           | 1,550,493           |
|  | <b>\$ 7,315,004</b> | <b>\$ 2,282,763</b> |
| <b>Liabilities</b>                                 |                     |                     |
| Accounts payable and accrued liabilities (note 12) | \$ 542,584          | \$ 177,264          |
|  | <b>542,584</b>      | <b>177,264</b>      |
| <b>Shareholders' equity</b>                        |                     |                     |
| Capital stock (note 10 (a))                        | 16,892,653          | 8,368,737           |
| Warrant reserve (note 10 (c))                      | 2,639,800           | 1,614,113           |
| Contributed surplus                                | 5,072,334           | 1,850,809           |
| Deficit  | (17,832,367)        | (9,728,160)         |
|  | <b>6,772,420</b>    | <b>2,105,499</b>    |
|  | <b>\$ 7,315,004</b> | <b>\$ 2,282,763</b> |

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Lahav Gil"  
CEO, Director

"Gerard Edwards"  
Director

**NATURE OF OPERATIONS AND GOING CONCERN, (Note 1)**

**COMMITMENTS (Note 16)**

**SUBSEQUENT EVENT (Note 17)**

**RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017**  
(Expressed in Canadian dollars)

|   | Year ended          |                     |
|---|---------------------|---------------------|
|   | 2018                | 2017                |
| <b>Expenses</b>   |                     |                     |
| Share-based compensation (note 10(b))                                   | \$ 3,278,188        | \$ 1,359,214        |
| Consulting fees (note 12)   | 1,813,647           | 775,913             |
| Product research and development costs                                  | 217,952             | -                   |
| Patent amortization expense (note 7)                                    | 909,716             | 653,425             |
| Shareholder communications and marketing                                | 444,011             | 211,794             |
| Directors' fees   | 33,810              | 24,000              |
| Office, general and administrative                                      | 507,648             | 322,968             |
| Provision for well abandonment costs (Note 9)                           | 5,280               | 18,339              |
| Management fees (note 12)   | 436,050             | 182,500             |
| Professional fees   | 457,905             | 326,624             |
| Transfer agent and filing fees  | -                   | 5,620               |
| <b>Net loss and comprehensive loss for the year</b>                     | <b>\$ 8,104,207</b> | <b>\$ 3,880,397</b> |
| <b>Loss per share</b>   |                     |                     |
| Basic and diluted (note 15)   | \$ (0.09)           | \$ (0.06)           |
| Weighted average number of common shares outstanding, basic and diluted | 89,887,697          | 66,683,816          |

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

**RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017)**  
(Expressed in Canadian dollars)

|  | Capital Stock      |                      | Warrant reserve     | Contributed surplus | Deficit                | Total               |
|--|--------------------|----------------------|---------------------|---------------------|------------------------|---------------------|
|  | Number of shares   | Amount               |                     |                     |                        |                     |
| Balance - October 1, 2016                                    | 56,045,097         | \$ 6,486,576         | \$ 972,830          | \$ 526,316          | \$ (5,847,763)         | \$ 2,137,959        |
| Shares issued for cash, net of issuance costs                | 12,800,667         | 1,125,868            | 751,055             | -                   | -                      | 1,876,923           |
| Shares issued for cash on exercise of options                | 300,000            | 30,000               | -                   | -                   | -                      | 30,000              |
| Shares issued for cash on exercise of warrants               | 2,909,000          | 581,800              | -                   | -                   | -                      | 581,800             |
| Fair value of options exercised                              | -                  | 34,721               | -                   | (34,721)            | -                      | -                   |
| Fair value of warrants issued, exercised and expired         | -                  | 109,772              | (109,772)           | -                   | -                      | -                   |
| Share-based compensation                                     | -                  | -                    | -                   | 1,359,214           | -                      | 1,359,214           |
| Net loss for the period                                      | -                  | -                    | -                   | -                   | (3,880,397)            | (3,880,397)         |
| Balance - September 30, 2017                                 | 72,054,764         | \$ 8,368,737         | \$ 1,614,113        | \$ 1,850,809        | \$ (9,728,160)         | \$ 2,105,499        |
| <b>Balance - October 1, 2017</b>                             | <b>72,054,764</b>  | <b>\$ 8,368,737</b>  | <b>\$ 1,614,113</b> | <b>\$ 1,850,809</b> | <b>\$ (9,728,160)</b>  | <b>\$ 2,105,499</b> |
| Shares issued for cash, net of issuance costs (note 10 (a))  | 17,358,328         | 2,234,768            | 1,460,643           | -                   | -                      | 3,695,411           |
| Shares issued for cash on exercise of options (note 10 (b))  | 350,000            | 62,500               | -                   | -                   | -                      | 62,500              |
| Shares issued for cash on exercise of warrants (note 10 (c)) | 8,143,960          | 1,685,792            | -                   | -                   | -                      | 1,685,792           |
| Shares issued on asset acquisition (note 6)                  | 15,280,139         | 4,049,237            | -                   | -                   | -                      | 4,049,237           |
| Fair value of options exercised                              | -                  | 56,663               | -                   | (56,663)            | -                      | -                   |
| Fair value of warrants exercised                             | -                  | 434,956              | (434,956)           | -                   | -                      | -                   |
| Share-based compensation (note 10 (b))                       | -                  | -                    | -                   | 3,278,188           | -                      | 3,278,188           |
| Net loss for the period                                      | -                  | -                    | -                   | -                   | (8,104,207)            | (8,104,207)         |
| <b>Balance - September 30, 2018</b>                          | <b>113,187,191</b> | <b>\$ 16,892,653</b> | <b>\$ 2,639,800</b> | <b>\$ 5,072,334</b> | <b>\$ (17,832,367)</b> | <b>\$ 6,772,420</b> |

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

**RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017**  
(Expressed in Canadian dollars)

|   | 2018                | 2017               |
|---|---------------------|--------------------|
| <b>Cash flows from (used in) operating activities</b> |                     |                    |
| Net loss for the year                                 | \$ (8,104,207)      | \$ (3,880,397)     |
| <b>Items not affecting cash from operations:</b>      |                     |                    |
| Accrued interest income                               | -                   | (6,929)            |
| Amortization of Intangible                            | 909,716             | 653,425            |
| Share-based compensation                              | 3,278,188           | 1,359,214          |
| Interest written off on promissory note               | 9,429               | -                  |
| Provision for well abandonment costs                  | -                   | (110,000)          |
| <b>Changes in non-cash working capital items:</b>     |                     |                    |
| Amounts receivable                                    | (346,986)           | (87,195)           |
| Prepaid expenses                                      | (202,258)           | (6,304)            |
| Accounts payable and accrued liabilities              | 291,108             | 124,455            |
| <b>Net cash used in operating activities</b>          | <b>(4,165,010)</b>  | <b>(1,953,731)</b> |
| <b>Cash flows from (used in) investing activities</b> |                     |                    |
| Acquisition of UXD - cash acquired                    | 489,971             | -                  |
| Increase in reclamation bonds                         | -                   | (563)              |
| <b>Net cash from (used in) investing activities</b>   | <b>489,971</b>      | <b>(563)</b>       |
| <b>Cash flows from (used in) financing activities</b> |                     |                    |
| Proceeds from private placement, net of issue costs   | 3,695,411           | 2,488,722          |
| Proceeds from warrant exercise                        | 1,685,792           | -                  |
| Proceeds from options exercise                        | 62,500              | -                  |
| Proceeds from promissory note repayment               | 50,000              | 35,000             |
| Repayment to related party                            | -                   | (97,475)           |
| <b>Net cash from financing activities</b>             | <b>5,493,703</b>    | <b>2,426,247</b>   |
| <b>Increase in cash for the year</b>                  | <b>1,818,664</b>    | <b>471,953</b>     |
| <b>Cash - beginning of year</b>                       | <b>477,115</b>      | <b>5,162</b>       |
| <b>Cash - end of year</b>                             | <b>\$ 2,295,779</b> | <b>\$ 477,115</b>  |

**RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**  
**(Expressed in Canadian dollars)**

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

Relay Medical Corp. (formerly Chromedx Corp.) (“the Company”) was incorporated in British Columbia and is engaged in the business of providing expertise in the development, commercial leadership, funding, and strategic partnerships offering inventors and early stage start-ups an “Integrated MedTech Accelerator” platform to develop and transact technologies. The principal business address of the Company is 401 Bay Street, Suite 1600, Toronto, Ontario, M5H 2Y4

The Company’s ability to continue as a going concern is dependent upon the need to both manage expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows and has working capital of \$2,462,722 as at September 30, 2018 (September 30, 2017 - \$424,589). The Company will continue to search for new or alternate sources of financing in order to continue development of its products. These material uncertainties cast significant doubt on the Company’s ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds when required in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated statement of financial position.

On January 31, 2017, the Company filed Articles of Amalgamation under the Business Corporations Act (Ontario), whereby the Company was amalgamated with ChroMedX to form an amalgamated corporation operating under the name of “Relay Medical Corp.” All amounts herein reflect the financial effects of the amalgamation.

**2. BASIS OF PRESENTATION**

**Statement of Compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements of the Company for the year ended September 30, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 28, 2019.

**Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, UX Data Sciences Corp. (note 6). All significant intercompany balances and transactions have been eliminated on consolidation.

**Basis of Measurement**

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Functional and Presentation Currency**

The consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

**Impairment**

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired at a cash generating unit level. If any such indication exists, the recoverable amount of the cash generating unit is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Intangible assets**

The Company records intangible assets at fair value at the date of acquisition. An intangible asset is capitalized when the economic benefit associated with an asset is probable and when the cost can be measured reliably. Intangible assets are carried at cost less accumulated depreciation and impairment losses. Cost consists of expenditures directly attributable to the acquisition of the assets. Intangible assets with finite lives are tested amortized over the related benefit period. Those with indefinite lives are not amortized and are tested for impairment on an annual basis. The Company's intangible assets consist of patents, patent applications and research and development costs that are amortized over their five-year estimated useful life.

**Research and Development costs**

Costs associated with the development of the Company's products are capitalized where the following criteria are met:

- the technical feasibility of completing the intangible asset so it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably of the expenditure during development.

The Company acquired research and development costs (note 6) which have been capitalized and included in intangible assets. All other research and development costs incurred by the Company were expensed in the year.

**Share-based Payments**

The Company accounts for share-based payment using the fair value method. Under this method, compensation expense is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

For transactions with employees and others providing similar services, the Company measures the fair value of the services received by reference to the fair value of the equity instruments granted.



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For transactions with parties other than employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

**Foreign Currency Translation**

The Company's functional and presentation currency is the Canadian dollar. Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss.

**Financial Instruments**

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

| <b>Asset or Liability</b>                | <b>Category</b>       | <b>Measurement</b> |
|--|-----------------------|--------------------|
| Cash and cash equivalents                | FVTPL                 | Fair value         |
| Promissory note                          | Loans and receivables | Amortized cost     |
| Reclamation bonds                        | Held to maturity      | Amortized cost     |
| Accounts payable and accrued liabilities | Other liabilities     | Amortized cost     |

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

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Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured at fair value using Level 1 inputs.

**Revenue Recognition**

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, deposits in banks, funds held in trust and highly liquid short-term interest-bearing investments.

**Income Taxes**

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set off within fiscal jurisdictions.

**Basic and Diluted Income (Loss) per Share**

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the year. Diluted income (loss) per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at year end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted income (loss) per share is the same as basic income (loss) per share.

**Comprehensive Income (Loss)**

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive income (loss) is the same as net income (loss).

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of these consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts

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reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

*Share based payments and warrants*

The fair value of stock options and warrants issued are subject to the limitation of the Black Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

*Useful life of intangible assets*

Management has exercised their judgment in determining the useful life of its patents, patent applications and research and development costs. The estimate is based on the expected period of benefit of the patent and the expected life of the product in the market place.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

*Determination of functional currency*

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management has determined that the functional currency of the Company is the Canadian dollar.

*Evaluation of going concern*

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1.

*Impairment of intangible assets*

Management has exercised their judgment in determining if the patents are impaired. The judgment is based on the expected future benefit of the intangible assets.

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*Income taxes*

Management has exercised their judgment in determining the provision for future income taxes. The judgment is based on the Company's current understanding of the tax law as it relates to the transactions and activities entered into by the Company.

*Acquisition of an asset or business combination*

In accordance with IFRS 3, management has exercised their judgment in determining the acquisition of UX Data Sciences Corp. was considered an asset acquisition as it did not meet the definition of a business.

**5. RECENT ACCOUNTING PRONOUNCEMENTS**

Standards issued but not yet effective up to the date of issuance of these financial statements are listed below. This list is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9, Financial Instruments, ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has determined that there are no material impacts from this standard.

IFRS 15, revenue from contracts and customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, revenue, IAS 11, construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company has determined that there are no material impacts from this standard.

IFRS 16 Leases. IFRS 16 was issued on January 13, 2016. The new standard brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is assessing the impact of this standard.

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**6. ACQUISITION**

On May 23, 2018, the Company acquired all the issued and outstanding shares of UX Data Sciences Corp (“UXD”). The acquired business was purchased for \$4,049,237, paid by the issuance of 15,280,139 common shares, valued at \$0.265 per share. The Company’s CEO, Lahav Gil, had been the Chairman and a shareholder of UXD since September 2016, holding approximately 13% of outstanding common shares of UXD. Due to this, the transaction was treated by the Company as a related party transaction and Mr. Gil abstained from voting or consulting on matters relating to the transaction as a member of either party. As UXD did not meet the definition of a business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby Relay is considered to issue shares in return for the net assets of UXD at their fair value as follows;

|  |           |                  |
|--|-----------|------------------|
| Fair value of UX Data Sciences Corp. net assets acquired |           |                  |
| Cash   | \$        | 489,971          |
| Net non-cash working capital                             |           | (14,853)         |
| Patent applications and research and development costs   |           | 3,574,119        |
| Net assets acquired                                      | <b>\$</b> | <b>4,049,237</b> |

Transaction costs directly associated with the acquisition totaled \$23,814 and were capitalized as part of the transaction. The patent assets acquired represent patent applications.

**7. INTANGIBLE ASSETS**

The following is a summary of patents as at September 30:

|  | <b>2018</b>         | <b>2017</b>  |
|--|---------------------|--------------|
| Balance - beginning of year  | <b>\$ 1,550,493</b> | \$ 2,203,918 |
| Patent applications and research and development costs acquired through acquisition (note 6) | <b>3,597,933</b>    | -            |
| Amortization   | <b>(909,716)</b>    | (653,425)    |
| <b>Balance - end of year</b>   | <b>\$ 4,238,710</b> | \$ 1,550,493 |

Patents held by the Company from the prior periods include various patents relating to the HemoPalm project that continues to be under development.

**8. PROMISSORY NOTE**

During the year ended September 30, 2016, the Company entered into a promissory note agreement in the amount of \$250,000, bearing interest at the Bank of Montreal prime rate plus 1% per annum and the principal and interest due on demand. The note has been paid down to \$NIL as at September 30, 2018 (September 30, 2017 - \$59,429) with the note being satisfied with a payment of \$50,000. All accrued interest recorded until the time of settlement was written off.

**9. RECLAMATION BONDS**

The Company holds reclamation bonds with the Alberta Energy Regulator as required by section 1.100(2) of the Oil and Gas Conservation Regulations and Directive 006: License Liability Rating Program and License Transfer Process. The reclamation bonds are held for the purposes of the future well abandonment, related to the business of the Company prior to the reverse takeover transaction. The Company has performed all requested remediation work at the site.

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**10. CAPITAL STOCK**

(a) **Common shares**

**Authorized**

The authorized capital stock of the Company consists of an unlimited number of common shares.

**Issued and Outstanding**

|  | <u>Number</u>             |
|--|---------------------------|
| Balance - September 30, 2017                   | <b>72,054,764</b>         |
| Shares issued on financing (i) (ii)            | 17,358,328                |
| Shares issued on exercise of stock options (b) | 350,000                   |
| Shares issued on exercise of warrants (c)      | 8,143,960                 |
| Shares issued on acquisition (note 6)          | 15,280,139                |
| Balance - September 30, 2018                   | <b><u>113,187,191</u></b> |

- i. On November 20, 2017, the Company closed a non-brokered private placement of 7,570,500 units at a price of \$0.20 per unit for aggregate gross proceeds of \$1,514,100. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.30 for a period of two years. Certain eligible persons were paid a cash commission equal to 8% of the proceeds raised from subscribers introduced to the Company by such persons, totaling \$39,538. Finders were also issued an aggregate of 197,640 broker warrants equal to 8% of the securities purchased by such subscribers. Each broker warrant entitles the holder thereof to purchase one common share at a price of \$0.20 for a period of two years.
- ii. On August 3, 2018 the Company announced the issuance of 9,787,828 units at a price of \$0.23 for aggregate gross proceeds of \$2,251,200. Each Unit is comprised of: (i) one common share in the capital of the Company (a "Common Share"); (ii) one-half (1/2) of one Common Share purchase warrant (each whole such warrant a "A Warrant"); and (iii) one-half (1/2) of one Common Share purchase warrant (each whole such warrant a " B Warrant"). Each whole A Warrant entitles the holder to purchase one additional Common Share at a price of \$0.40 until February 3, 2020, and each whole B Warrant entitles the holder to purchase one additional Common Share at a price of \$0.50 until February 3, 2020. Certain eligible persons (the "Finders") were paid a cash commission equal to 8% of the proceeds raised from subscribers introduced to the Company by such Finder, totaling \$31,924. Finders were also issued an aggregate of 138,800 finder warrants (the "Finder Warrants") to Finders, each Finder Warrant entitling the holder to acquire one Unit at a price of \$0.23 for a period of eighteen months from the date of issuance.

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**(b) Stock option plan and share-based compensation**

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price, minimum price, or a discounted price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

The following table summarizes activity within the Company's stock option plan during the year:

|                                     | Number of<br>Options<br>Outstanding | Black-Scholes<br>Value | Weighted<br>Average<br>Exercise Price |
|-------------------------------------|-------------------------------------|------------------------|---------------------------------------|
| Balance - September 30, 2017        | 9,730,000                           | 1,842,506              | 0.22                                  |
| Granted                             | 10,729,500                          | 3,278,188              | 0.38                                  |
| Exercised                           | (350,000)                           | (56,663)               | 0.17                                  |
| Expired and cancelled               | (3,800,000)                         | (1,647,866)            | 0.55                                  |
| <b>Balance - September 30, 2018</b> | <b>16,309,500</b>                   | <b>\$ 3,416,165</b>    | <b>\$ 0.25</b>                        |

The following common share purchase options are outstanding at September 30, 2018:

| Date of<br>Grant  | Number<br>of Options<br>Outstanding | Exercise<br>Price | Weighted<br>Average<br>remaining life<br>(years) | Expiry<br>Date    | Number<br>of Options<br>exercisable |
|-------------------|-------------------------------------|-------------------|--|-------------------|-------------------------------------|
| July 10, 2014     | 1,250,000                           | \$ 0.10           | 0.78   | July 10, 2019     | 1,250,000                           |
| December 10, 2014 | 550,000                             | 0.35              | 1.19   | December 10, 2019 | 550,000                             |
| December 7, 2015  | 570,000                             | 0.20              | 2.19   | December 7, 2020  | 570,000                             |
| October 24, 2016  | 2,750,000                           | 0.15              | 3.07   | October 24, 2021  | 2,750,000                           |
| June 19, 2017     | 3,660,000                           | 0.30              | 3.72   | June 19, 2022     | 3,660,000                           |
| November 20, 2017 | 3,212,000                           | 0.27              | 3.72   | June 19, 2022     | 3,212,000                           |
| January 24, 2018  | 300,000                             | 0.60              | 4.32   | January 24, 2023  | 300,000                             |
| June 20, 2018     | 4,017,500                           | 0.27              | 4.72   | June 20, 2023     | 4,017,500                           |
|                   | <b>16,309,500</b>                   | <b>\$ 0.25</b>    | <b>3.50</b>                                      |                   | <b>16,309,500</b>                   |

The fair value of options granted, with immediate vesting, during the year ended September 30, 2018 was estimated at the date of grant using a Black Scholes Option Pricing Model with the following assumptions:

|                          | June 20<br>2018 | January 24<br>2018 | November 20<br>2017 |
|--------------------------|-----------------|--------------------|---------------------|
| Share price              | \$0.27          | \$0.60             | \$0.27              |
| Risk free interest rate  | 1.46%           | 1.46%              | 1.46%               |
| Expected life of options | 5 years         | 5 years            | 5 years             |
| Annualized volatility    | 117%            | 121%               | 121%                |
| Dividend rate            | Nil             | Nil                | Nil                 |
| Forfeiture rate          | 0%              | 0%                 | 0%                  |

In the consolidated statements of loss and comprehensive loss, the Company recorded share-based compensation of \$3,278,188 for the year ended September 30, 2018 (2017 - \$1,359,214).

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(c) **Warrants**

The following table summarizes warrants that have been issued, exercised or have expired during the year ended September 30, 2018:

|                                     | Number of<br>Warrants<br>Outstanding | Black-Scholes<br>Value | Weighted<br>Average<br>Exercise Price |
|-------------------------------------|--------------------------------------|------------------------|---------------------------------------|
| Balance - September 30, 2017        | 14,693,627                           | \$ 540,875             | \$ 0.23                               |
| Granted                             | 17,694,768                           | 1,460,643              | 0.38                                  |
| Exercised                           | (8,143,960)                          | (434,956)              | 0.21                                  |
| Expired                             | (3,991,667)                          | (269,007)              | 0.25                                  |
| <b>Balance - September 30, 2018</b> | <b>20,252,768</b>                    | <b>\$ 1,297,555</b>    | <b>\$ 0.30</b>                        |

The fair value of warrants granted during the year ended September 30, 2018 was estimated at the date of grant using a Black Scholes Option Pricing Model with the following assumptions:

|                         | Broker warrants |           |             |           |             |             |
|-------------------------|-----------------|-----------|-------------|-----------|-------------|-------------|
|                         | November 2017   | July 2018 | August 2018 | July 2018 | August 2018 | August 2018 |
| Share price             | 0.27            | 0.22      | 0.24        | 0.23      | 0.23        | 0.23        |
| Risk free interest rate | 1.46%           | 1.28%     | 1.23%       | 1.28%     | 1.23%       | 1.23%       |
| Time to maturity        | 2               | 1.5       | 1.5         | 1.5       | 1.5         | 1.5         |
| Annualized volatility   | 117%            | 104%      | 105%        | 104%      | 105%        | 105%        |
| Dividend yield          | NIL             | NIL       | NIL         | NIL       | NIL         | NIL         |

At September 30, 2018, the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date:

| Number<br>of Warrants<br>Outstanding | Exercise<br>Price | Fair<br>Value       | Expiry<br>Date    |
|--------------------------------------|-------------------|---------------------|-------------------|
| 2,730,000                            | \$ 0.30           | \$ 191,534          | December 19, 2018 |
| 28,000                               | 0.20              | 5,116               | December 19, 2018 |
| 7,370,500                            | 0.30              | 536,367             | November 20, 2019 |
| 197,640                              | 0.20              | 35,140              | November 20, 2019 |
| 3,502,608                            | 0.40              | 329,192             | January 27, 2020  |
| 105,600                              | 0.23              | 11,690              | January 27, 2020  |
| 3,502,608                            | 0.50              | 276,155             | January 27, 2020  |
| 1,391,306                            | 0.40              | 137,212             | February 3, 2020  |
| 33,200                               | 0.23              | 3,961               | February 3, 2020  |
| 1,391,306                            | 0.50              | 116,276             | February 3, 2020  |
| <b>20,252,768</b>                    |                   | <b>\$ 1,642,643</b> |                   |



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**11. INCOME TAXES**

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

|  | <b>September 30,<br/>2018</b> | September 30,<br>2017 |
|--|-------------------------------|-----------------------|
| Net loss before income taxes                         | <b>\$ (8,104,207)</b>         | \$ (3,880,397)        |
| Combined Canadian federal and provincial tax rate    | <b>26.50%</b>                 | 26.50%                |
| Expected income tax recovery at statutory tax rates  | <b>(2,147,615)</b>            | (1,028,305)           |
| Share-based compensation and non-deductible expenses | <b>938,678</b>                | 360,190               |
| Other  | <b>(59,973)</b>               | -                     |
| Change in unrecognized deferred tax assets           | <b>1,268,910</b>              | 668,115               |
| Provision for income tax                             | <b>\$ -</b>                   | \$ -                  |

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

|                                   | <b>September 30,<br/>2018</b> | September 30,<br>2017 |
|-----------------------------------|-------------------------------|-----------------------|
| Exploration and evaluation assets | <b>\$ 2,608,354</b>           | \$ 2,608,354          |
| Share issuance costs              | <b>265,281</b>                | 125,547               |
| Patent                            | <b>2,370,057</b>              | 1,716,632             |
| Non capital losses                | <b>8,961,681</b>              | 4,966,501             |
|                                   | <b>\$ 14,205,373</b>          | \$ 9,417,034          |

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom. Non-capital loss carry forwards expire as rated in the table below. Share issue costs will be fully amortized in 2020. The remaining deductible temporary differences may be carried forward indefinitely.

As at September 30, 2018 the Company has non-capital losses of \$8,961,681 that can be used to reduce future taxable income. These losses expire as follows:

|      |                     |
|------|---------------------|
| 2034 | \$ 609,811          |
| 2035 | 1,396,730           |
| 2036 | 940,884             |
| 2037 | 2,019,076           |
| 2038 | 3,995,180           |
|      | <b>\$ 8,961,681</b> |

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**12. RELATED PARTY TRANSACTIONS**

Related parties and related party transactions impacting the accompanying financial statements are summarized below:

As at September 30, 2018, \$36,443 was due to related parties (2017 - \$1,695).

During the year, certain related parties participated in private placements completed by the Company, and in certain cases the funds received were used to pay consulting or director fees to these individuals. The proceeds of the private placement from related parties are noted below and the amounts paid/repaid are noted in parentheses. Proceeds of the private placements include \$193,200 (\$200,000) from the CEO for the August 2018 private placement, \$40,000 (\$40,000) from a director of the Company for the November 2017 private placement, \$33,810 (\$33,810) from a director of the Company for the August 2018 private placement, \$46,000 (\$9,040) from the Chief Technology Officer for the August 2018 private placement and \$12,650 (\$11,300) received from the Director of Product Development for the August 2018 private placement.

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

The following is a summary of key management personnel compensation:

|                                       | <b>For the years ended September 30,</b> |              |
|---------------------------------------|--|--------------|
|                                       | <b>2018</b>                              | <b>2017</b>  |
| Share-based compensation (note 10(b)) | <b>\$ 2,827,190</b>                      | \$ 734,132   |
| Consulting and management fees        | <b>1,267,219</b>                         | 597,666      |
|                                       | <b>\$ 4,094,409</b>                      | \$ 1,331,798 |

**13. FINANCIAL RISK FACTORS**

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks, credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

The Company's financial instruments primarily consist of cash and cash equivalents. The fair value of the Company's accounts payable and accrued liabilities approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's cash and cash equivalents are recorded at fair value, under the fair value hierarchy, based on level one quoted prices in active markets for identical assets or liabilities. The Company's reclamation bonds and promissory note, are measured at amortized cost.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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### **Market Risk**

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

#### a) Interest Rate Risk

The Company has cash balances and is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company monitors the credit worthiness of the debtor and is satisfied with the debtor's ability to repay the amount owing.

#### b) Foreign currency risk

As at September 30, 2018 the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars and therefore is not at a significant risk to fluctuating exchange risks.

### **Liquidity Risk**

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main source of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents.

As at September 30, 2018, the Company held cash of \$2,295,779 (September 30, 2017 - \$477,115) to settle current liabilities of \$542,584 (September 30, 2017 - \$177,264). All of the Company's liabilities are due within the next fiscal year.

### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company has reduced its credit risk by investing its cash equivalents with Canadian chartered banks.

## **14. CAPITAL MANAGEMENT**

Due to the development stage of the Company and its reliance on equity funding at this time, Relay defines capital as its common stock. As at September 30, 2018 the Company's capital stock was \$16,892,653 (September 30, 2017 - \$8,368,737).

There were no changes in the Company's approach to capital management during the year ended September 30, 2018 and the Company is not subject to any externally imposed capital requirements. Management has no expectations that it will raise debt in the coming year.

The Company's objectives when managing capital are:

- a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;
- b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and

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- c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

**15. BASIC AND DILUTED LOSS PER SHARE**

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of shares outstanding during the year. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for years ended September 30, 2018 and 2017, this would be anti-dilutive.

**16. COMMITMENTS**

Operating expenditures contracted for at September 30, 2018 but not yet incurred are as follows:

|      |    |                |
|------|----|----------------|
| 2019 | \$ | 146,426        |
| 2020 |    | 160,320        |
| 2021 |    | 137,301        |
| 2022 |    | 147,655        |
| 2023 |    | 158,459        |
| 2024 |    | 169,263        |
| 2025 |    | 14,180         |
|      | \$ | <u>933,604</u> |

Operating expenditure commitments consists of office and laboratory building property leases as at September 30, 2018.

**17. SUBSEQUENT EVENT**

On December 20, 2018, Relay and AgraFlora Organics International Inc. (“AgraFlora Organics”) (CSE: AGRA) announced the formation of the private company Glow Life Technologies Ltd. to pursue medical related technology opportunities in the global cannabis sector. The newly formed entity is owned 50% by Relay Medical, 30% by AgraFlora Organics, who have committed to an initial investment of \$200,000, and 20% by private investors who have committed \$500,000 investment in Glow Life Technologies Ltd. with total initial funding of \$700,000. The private investors have the right to exchange their shares of Glow Life into common shares of Relay after two years at a conversion price of \$0.30 (if Glow Life has not been sold or is not publicly trading at that time).