



**RELAY MEDICAL CORP.
(FORMERLY CHROMEDX CORP.)
CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017**

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**RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
DECEMBER 31, 2018**

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

As at	December 31, 2018	September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 1,217,511	\$ 2,295,779
HST and accounts receivable	584,540	498,565
Prepaid expenses	171,632	210,962
	1,973,683	3,005,306
Non-current assets		
Reclamation bonds (Note 8)	70,988	70,988
Intangible assets (notes 6 and 7)	3,883,136	4,238,710
	\$ 5,927,807	\$ 7,315,004
Liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 439,808	\$ 542,584
	439,808	542,584
Shareholders' equity		
Capital stock (note 9 (a))	16,892,653	16,892,653
Warrant reserve (note 9 (c))	2,639,800	2,639,800
Contributed surplus	5,072,334	5,072,334
Deficit	(19,116,788)	(17,832,367)
	5,487,999	6,772,420
	\$ 5,927,807	\$ 7,315,004

NATURE OF OPERATIONS AND GOING CONCERN, (Note 1)

COMMITMENTS (Note 14)

RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS FOR
THE THREE MONTHS ENDED DECEMBER 31, 2018 and 2017
(Unaudited - Expressed in Canadian dollars)

	Three months ended	
	2018	2017
Expenses		
Share-based compensation (note 9(b))	\$ -	\$ 802,114
Consulting fees and salaries (note 10)	368,312	480,759
Product research and development costs	158,753	25,932
Patent amortization expense (note 7)	355,575	163,356
Shareholder communications and marketing	23,342	121,463
Office, general and administrative	176,752	64,786
Management fees (note 10)	50,010	57,500
Professional fees	151,678	48,727
Net loss and comprehensive loss for the year	\$ 1,284,422	\$ 1,764,637
Loss per share		
Basic and diluted (note 13)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding, basic and diluted	113,187,191	76,050,302

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

RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 and 2017)
(Unaudited - Expressed in Canadian dollars)

	Capital Stock		Warrant reserve	Contributed surplus	Deficit	Total
	Number of shares	Amount				
Balance - October 1, 2017	72,054,764	\$ 8,368,737	\$ 1,614,113	\$ 1,850,809	\$ (9,728,160)	\$ 2,105,499
Shares issued for cash, net of issuance costs	17,358,328	2,234,768	1,460,643	-	-	3,695,411
Shares issued for cash on exercise of options	350,000	62,500	-	-	-	62,500
Shares issued for cash on exercise of warrants	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 issued, exercised and expired	-	434,956	(434,956)	-	-	-
Share-based compensation	-	-	-	3,278,188	-	3,278,188
Net loss for the period	-	-	-	-	(8,104,207)	(8,104,207)
Balance - September 30, 2017	113,187,191	\$ 16,892,653	\$ 2,639,800	\$ 5,072,334	\$ (17,832,367)	\$ 6,772,420
Balance - October 1, 2017	113,187,191	\$ 16,892,653	\$ 2,639,800	\$ 5,072,334	\$ (17,832,367)	\$ 6,772,420
Net loss for the period	-	-	-	-	(1,284,422)	(1,284,422)
Balance - December 31, 2018	113,187,191	\$ 16,892,653	\$ 2,639,800	\$ 5,072,334	\$ (19,116,789)	\$ 5,487,998

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

RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 and 2017
(Unaudited - Expressed in Canadian dollars)

	2018	2017
Cash flows from (used in) operating activities		
Net loss for the year	\$ (1,284,421)	\$ (1,764,637)
Items not affecting cash from operations:		
Amortization of intangibles	355,574	163,356
Share-based compensation	-	802,114
Changes in non-cash working capital items:		
Prepaid expenses	39,330	(3,962)
Amounts receivable	(85,975)	(114,547)
Accounts payable and accrued liabilities	(102,776)	(50,084)
Net cash used in operating activities	(1,078,268)	(967,760)
Cash flows from (used in) financing activities		
Proceeds from private placement, net of issue costs	-	1,954,963
Net cash from financing activities	-	1,954,963
Increase in cash for the year	(1,078,268)	987,203
Cash - beginning of year	2,295,779	477,115
Cash - end of year	\$ 1,217,511	\$ 1,464,318

RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017
(Unaudited - Expressed in Canadian dollars)

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 \$1,533,875 as at December 31, 2018 (September 30, 2018 - \$2,462,722). 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 March 1, 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.

RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)
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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:

Asset or Liability	Category	Measurement
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).

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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 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 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.

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	<u>\$ 4,049,237</u>

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.

RELAY MEDICAL CORP. (FORMERLY CHROMEDX CORP.)
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7. INTANGIBLE ASSETS

The following is a summary of patents as at December 31, 2018:

	<u>2018-12-31</u>	<u>2018-09-30</u>
Balance - beginning of year	\$ 4,238,710	\$ 1,550,493
Patent applications and research and development costs acquired through acquisition (note 6)	-	3,597,933
Amortization	<u>(355,575)</u>	<u>(909,716)</u>
Balance - end of year	\$ 3,883,136	\$ 4,238,710

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

8. 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.

9. 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, 2018	<u>113,187,191</u>
Balance - December 31, 2018	<u>113,187,191</u>

- 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.

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- 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.

(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 Options Outstanding	Black-Scholes Value	Weighted Average Exercise Price
Balance - September 30, 2018	16,309,500	3,416,165	0.25
Balance - December 31, 2018	16,309,500	\$ 3,416,165	\$ 0.25

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

Date of Grant	Number of Options Outstanding	Exercise Price	Weighted Average remaining life (years)	Expiry Date	Number of Options 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
	16,309,500	\$ 0.25	3.50		16,309,500

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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 2018	January 24 2018	November 20 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%

(c) Warrants

The following table summarizes warrants that have been issued, exercised or have expired during the three months ended December 31, 2018:

	Number of Warrants Outstanding	Black-Scholes Value	Weighted Average Exercise Price
Balance -September 30, 2018	20,252,768	1,297,555	\$ 0.30
Balance -December 31, 2018	20,252,768	\$ 1,297,555	\$ 0.30

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
Share price	0.27	0.22	0.24	0.23	0.23
Risk free interest rate	1.46%	1.28%	1.23%	1.28%	1.23%
Time to maturity	2	1.5	1.5	1.5	1.5
Annualized volatility	117%	104%	105%	104%	105%
Dividend yield	NIL	NIL	NIL	NIL	NIL

At December 31, 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 of Warrants Outstanding	Exercise Price	Fair Value	Expiry 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
20,252,768		\$ 1,642,643	

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10. RELATED PARTY TRANSACTIONS

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

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.

During the three months ended December 31, 2018 the company paid \$193,675 of consulting and management fees as key management personnel compensation.

11. 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.

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 December 31, 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.

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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 December 31, 2018, the Company held cash of \$1,217,511 (September 30, 2018 - \$2,295,779) to settle current liabilities of \$439,808 (September 30, 2018 - \$542,584). 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.

12. 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 December 31, 2018 the Company's capital stock was \$16,892,653 (December 31, 2018 - \$16,892,653).

There were no changes in the Company's approach to capital management during the three months ended December 31, 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
- 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.

13. 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 three months ended December 31, 2018 and 2017, this would be anti-dilutive.

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14. COMMITMENTS

Operating expenditures contracted for at December 31, 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 December 31, 2018.