

FORM 51-102F4

BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

Relay Medical Corp
65 International Blvd, Suite 202
Etobicoke, Ontario M9W 6L9
(the “Company”)

1.2 Executive Officer

For further information, please contact Clark Kent, President at ckent@relaymedical.com

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On March 17, 2021, the Company completed the acquisition of Cybeats Technologies Inc. ("Cybeats") pursuant to the previously announced Share Exchange Agreement (“SEA”) dated March 3, 2021. As part of this transaction, Relay has acquired Cybeats’ technologies, intellectual property and trade secrets, and Cybeats has become a wholly owned subsidiary of the Company.

Cybeat Technologies Inc. was incorporated in Ontario on December 17, 2018 as 2671237 Ontario Ltd. The Company delivers an integrated security platform designed to secure and protect high-valued connected devices. Cybeats’s unique approach eliminates device downtime due to cyber-attacks and allows device manufacturers to develop and maintain secure and protected devices in a timely and cost-efficient manner. The principal business address of the Company is 235 Industrial Parkway South, Aurora, ON, L4G 3V5.

2.2 Date of Acquisition

March 17, 2021.

2.3 Consideration

In accordance with the terms of the SEA, Relay has acquired all of the issued and outstanding shares of Cybeats for an aggregate purchase price of \$7,180,000. The Company has paid \$500,000 in cash, and has issued 9,311,475 common shares of the Company at a deemed price of \$0.61 per share. On the date that is 120 days after closing, Relay shall have the option to satisfy \$1,000,000 of the remaining purchase price either by way of issuance of 1,639,344 common shares of the Company at a deemed price of \$0.61 or by way of cash, or a combination of both.

In addition to the purchase price described above, the Company shall also issue to Cybeats shareholders a number of additional common shares for a maximum aggregate value of up to \$6,720,000 (the “Milestone Shares”) on the 18, 30 and 42 month anniversaries of the closing date provided that Cybeats meets certain gross revenue milestones in accordance with the terms of the SEA. The Milestone Shares will be issued at a deemed price per share based on the 15-day volume weighted average trading price of the common shares on the Canadian Securities Exchange ending the day prior to the day the applicable milestone was achieved.

2.4 Effect on Financial Position

Upon completion of the transaction, Cybeats became a wholly-owned subsidiary of the Company. The Company plans to integrate Cybeats's business into the business of the Company under the direction of the Company's board of directors. It is expected that the acquisition of Cybeats will allow the Company not only help the cybersecurity of the Company's medical devices but also establish a presence in the IoT cybersecurity market.

No other plans or proposals for material changes in the business affairs of the Company which may have a significant effect on the financial performance or position of the Company are planned at this time.

2.5 Prior Valuations

No valuation opinion was required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company for Cybeats.

2.6 Parties to Transaction

No party to the transaction was an informed person (as such term is defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“NI 51-102”), associate or affiliate of the Company.

2.7 Date of Report

May 31, 2021.

Item 3 Financial Statements

As required by Part 8 of NI 51-102, Cybeats's financial statements for the years ended December 31, 2020 and 2019, together with the notes thereto and the auditor's report for the year ended December 31, 2020, are included in this Business Acquisition Report, which are attached hereto as Schedule “A”.

SCHEDULE "A"
CYBEATS TECHNOLOGIES INC. AUDITED
FINANCIAL STATEMENTS YEARS ENDED
DECEMBER 31, 2020 AND 2019

(Please see attached.)

CYBEATS TECHNOLOGIES INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020

CYBEATS TECHNOLOGIES INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020

INDEX

	Page
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statements of Loss and Comprehensive Loss and Deficit	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 16

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of Cybeats Technologies Inc.

Opinion

We have audited the financial statements of Cybeats Technologies Inc. which comprise the statement of financial position as at December 31, 2020, and the statements of operations and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cybeats Technologies Inc. as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for December 31, 2019 were not subject to audit or review. Our audit report for the current year does not extend to the comparative figures presented in these financial statements. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Jackson & Co., LLP

Toronto, Ontario
May 31, 2021

Jackson & Co., LLP
Chartered Professional Accountants
Licensed Public Accountants

CYBEATS TECHNOLOGIES INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019 (Unaudited)
	\$	\$
ASSETS		
CURRENT		
Bank	409,991	1,091,156
Accounts receivable	274,094	253,708
Prepaid expenses	32,175	-
	716,260	1,344,864
CAPITAL ASSETS (note 5)	9,985	19,004
	726,245	1,363,868
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	144,195	20,933
	144,195	20,933
LONG-TERM DEBT		
CEBA (note 9)	40,000	
	184,195	20,933
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 6)	3,286,452	3,286,452
DEFICIT	(2,744,402)	(1,943,517)
	542,050	1,342,935
	726,245	1,363,868

ON BEHALF OF THE BOARD:

"Yoav Raiter" signed

Director

"Clark Kent" signed

Director

CYBEATS TECHNOLOGIES INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019 (Unaudited)
	\$	\$
REVENUE		
Sales	2,292	15,765
Government subsidies	303,719	410,600
Innovation Assistance Program wage subsidy	58,709	
Interest and other	6,360	34,312
	<u>371,080</u>	<u>460,677</u>
OPERATING EXPENSES		
Advertising and promotion	3,529	28,736
Amortization	9,019	7,414
Insurance	6,912	6,912
Interest and bank charges	2,695	4,667
Meals and entertainment	1,709	7,171
Office and general	637	10,040
Operating costs	57,846	128,269
Professional fees	62,791	227,558
Subcontractor fees	226,475	668,354
Wage and salary	800,352	709,546
	<u>1,171,965</u>	<u>1,798,667</u>
LOSS BEFORE PROVISION FOR TAXES	(800,885)	(1,337,990)
PROVISION FOR INCOME TAXES	-	-
NET LOSS AND COMPREHENSIVE LOSS	(800,885)	(1,337,990)
DEFICIT, beginning of year	(1,943,517)	(605,527)
DEFICIT, end of year	<u>(2,744,402)</u>	<u>(1,943,517)</u>

The accompanying notes are an integral part of these financial statements

CYBEATS TECHNOLOGIES INC.
STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED DECEMBER 31, 2020

	Share Capital	Deficit	Total Equity
	\$	\$	\$
Balance December 31, 2018 (Unaudited)	2,587,092	(605,527)	1,981,565
Issue of share capital	699,360		699,360
Total comprehensive loss		(1,337,990)	(1,337,990)
Balance December 31, 2019 (Unaudited)	3,286,452	(1,943,517)	1,342,935
Total comprehensive loss		(800,885)	(800,885)
Balance December 31, 2020	3,286,452	(2,744,402)	542,050

CYBEATS TECHNOLOGIES INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019 (Unaudited)
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss and comprehensive loss for the period	(800,885)	(1,337,990)
Items not involving cash		
Amortization	9,019	7,414
	(791,866)	(1,330,576)
Changes in non-cash working capital items		
(Increase) in accounts receivable	(20,386)	(252,171)
(Increase) in prepaid expenses	(32,175)	-
Increase in accounts payable and accrued liabilities	123,262	2,658
	(721,165)	(1,580,089)
INVESTING ACTIVITIES		
Purchase of tangible assets	-	(15,650)
	-	(15,650)
FINANCING ACTIVITIES		
Increase in CEBA loan	40,000	-
Convertible loan repayment	-	(543,660)
Capital contributed through share issuance	-	699,360
	40,000	155,700
NET DECREASE IN CASH FOR THE PERIOD	(681,165)	(1,440,039)
CASH, beginning of period	1,091,156	2,531,195
CASH, end of period	409,991	1,091,156

The accompanying notes are an integral part of these financial statements

CYBEATS TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. NATURE OF OPERATIONS

Cybeat Technologies Inc. (“the Company”) was incorporated in Ontario on December 17, 2018 as 2671237 Ontario Ltd. The Company delivers an integrated security platform designed to secure and protect high-valued connected devices. The Company’s unique approach eliminates device downtime due to cyber-attacks and allows device manufacturers to develop and maintain secure and protected devices in a timely and cost-efficient manner. The principal business address of the Company is 235 Industrial Parkway South Aurora, L4G 3V5, ON, Toronto, Canada.

2. BASIS OF PRESENTATION

Statement of Compliance

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

Basis of Measurement

These financial statements have been prepared on the historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently to all periods presented in these financial statements:

(a) 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)

CYBEATS TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(b) 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 assets;
- 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 did not incur other research and development costs in the period.

(c) 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.

(d) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Below is a summary showing the classification and measurement bases of financial instruments;

Asset or Liability	Category	Measurement
Cash	FVTPL	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

CYBEATS TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- (i) **Financial assets recorded at FVTPL**
Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost of FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash and cash equivalents and marketable securities are classified as financial assets measured at FVTPL.
- (ii) **Amortized cost**
Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's loan receivable is classified as financial assets measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- (i) **Amortized cost**
Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.
The Company's accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.
- (ii) **Financial liabilities recorded FVTPL**
Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

CYBEATS TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealised gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealised gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial instruments at fair value through profit and loss

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices): and

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is measured at fair value using Level 1 inputs.

As at December 31, 2020, the fair value of the financial liabilities approximates the carrying value, due to the short-term nature of the instruments.

CYBEATS TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) REVENUE RECOGNITION

Product sales 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 income is recognized on a time-proportion basis using the effective interest method.

(f) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss in the period.

Amortization is calculated on a declining balance basis at the following annual rates:

Office, furniture and equipment	20%
Computer equipment	55%

(g) 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.

(h) 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. Income or loss from an

CYBEATS TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

investment in associate is included in other comprehensive income (loss). Accumulated other comprehensive income (net of income taxes) is included on the statements of financial position as a component of common shareholders' equity.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the interim 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:

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 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. Management has determined the Company is a going concern.

CYBEATS TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. **SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES** *(continued)*

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.

5. **CAPITAL ASSETS**

Capital assets as at December 31, 2020 consists of the following:

			2020	2019 (Unaudited)
	COST	ACCUM. AMORT.	NET BOOK VALUE	NET BOOK VALUE
	\$	\$	\$	\$
Furniture and fixtures	5,686	(2,411)	3,275	4,094
Computers	23,179	(16,469)	6,710	14,910
	<u>28,865</u>	<u>(18,880)</u>	<u>9,985</u>	<u>19,004</u>

6. **CAPITAL STOCK**

Common shares

Authorized

- (i) An unlimited number of Common Shares
- (ii) An unlimited number of Class Seed Preferred Shares, issuable in series, of which an unlimited number are designated as Class Seed-1 Preferred Shares, an unlimited number are designated as Class Seed-2 Preferred Shares and an unlimited number are designated as Class Seed-3 Preferred Shares

Issued and Outstanding

	Shares Outstanding	2020 \$	2019 (unaudited) \$
Common shares	9,128,817	136,028	136,028
Class Seed-1 Preferred Shares	359,832	36	36
Class Seed-2 Preferred Shares	3,267,002	550,390	550,390
Class Seed-3 Preferred Shares	5,997,221	2,594,998	2,594,998
	<u>9,624,055</u>	<u>3,150,424</u>	<u>3,150,424</u>
	<u>18,752,872</u>	<u>3,286,452</u>	<u>3,286,452</u>

CYBEATS TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. 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. 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 is recorded at fair value, under the fair value hierarchy, based on level one quoted prices in active markets for identical assets of liabilities. 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.

(i) 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.

(ii) Foreign currency risk

As at December 31, 2020 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.

CYBEATS TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. FINANCIAL RISK FACTORS *(continued)*

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, 2020 the Company held cash in banks of \$409,991 (December 31, 2019 - \$1,091,156) to settle current liabilities of \$144,195 (December 31, 2019 - \$20,933).

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. The Company has reduced its credit risk by investing its cash in trust with Canadian chartered banks.

8. SUBSEQUENT EVENTS

On March 18, 2021 Relay Medical Corp. (Relay) announced that it has completed the acquisition of Cybeats Technologies Inc. pursuant to a previously announced Share Exchange Agreement (“**SEA**”) dated March 3, 2021. As part of this transaction, Relay has acquired the Company's technologies, intellectual property and trade secrets, and the Company has become a wholly owned subsidiary of the Relay. In accordance with the terms of the SEA, Relay has acquired all of the issued and outstanding shares of the Company for an aggregate purchase price of \$7,180,000. Relay has paid \$500,000 in cash, and has issued 9,311,475 common shares at a deemed price of \$0.61 per share. On the date that is 120 days after closing, Relay shall have the option to satisfy \$1,000,000 of the remaining purchase price either by way of issuance of 1,639,344 common shares at a deemed price of \$0.61 or by way of cash, or a combination of both.

9. CORONAVIRUS DISEASE (COVID-19)

In early March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic. The current and expected impacts on global commerce are anticipated to be far-reaching. To date there has been significant stock market volatility, significant volatility in commodity and foreign exchange markets, restrictions on the conduct of business in many jurisdictions and the global movement of people and some goods have become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and prices for the services the Company provides, on its suppliers, on its employees and on the markets in which the Company operates.

During the last nine months, the Company has made efforts to safeguard the health of its employees, while continuing to operate safely and to responsibly maintain employment and economic activity under these difficult circumstances. In addition to internal cost control initiatives, the Company has applied to applicable government programs designed to help employers impacted by the COVID-19 pandemic protect the jobs of its employees.

CYBEATS TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. CORONAVIRUS DISEASE (COVID-19) *(continued)*

The Company qualified for the Federal Government's Canadian Emergency Business Account loan program ("CEBA"), receiving an interest free loan of \$60,000. Under the terms of the CEBA loan program, 33.3% (\$20,000) of the loan is forgivable if the remaining \$40,000 is repaid on or before December 31, 2022. If the loaned funds are not repaid by December 31, 2022, the loan will be converted into a three year installment loan bearing interest at 5% per annum, with the first payment due on or before January 31, 2023. The \$20,000 forgivable portion of the CEBA loan has been recorded in "Government subsidies" on the statement of loss and comprehensive loss and deficit.

As of December 31, 2020, the Company has qualified for the 10% wage subsidy under the Federal Government's Canadian Emergency Wage Subsidy Program ("CEWS"), receiving support payments totaling \$9,625. Amounts pertaining to the CEWS program have been recorded in "Government subsidies" on the statement of loss and comprehensive loss and deficit.

In the current environment, assumptions about the Company's future revenue generating activities are subject to greater variability than normal, which could in the future significantly affect the valuation of the Company's assets and results from operations.