RELEVIUM TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - See Notice to Reader)

December 31, 2015

RELEVIUM TECHNOLOGIES INC.

DECEMBER 31, 2015

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RELEVIUM TECHNOLOGIES INC.

NOTICE TO READER

Management of the Company has prepared these unaudited condensed consolidated interim financial statements and their accompanying notes and is responsible for the integrity and fairness of the financial information presented therein. These have been reviewed and approved by the Company's Audit Committee and the Board of Directors. The Company's auditors have not reviewed or audited these consolidated interim unaudited financial statements

RELEVIUM TECHNOLOGIES INC.

(Unaudited - See Notice to Reader)
December 31, 2015

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	December 31, 2015 $	June 30, 2015 $
Assets		
Current assets		
Cash and cash equivalents	**305,418**	52,245
Short-term investment (Note 4)	**5,000**	5,000
Receivables (Note 5)	**103,978**	36,958
Inventory (Note 6)	**10,400**	-
Prepaid expenses	**202,139**	40,000
Total current assets	**626,935**	134,203
Non-current assets		
Loans receivable **(Note 7)**	**250,000**	250,000
Intangible assets **(Note 8)**	**1,995,664**	-
Total non-current assets	**2,245,664**	250,000
Total assets	**2,872,599**	384,203
Liabilities and shareholders' equity		
Current liabilities		
Accrued liabilities	**297,916**	224,683
Refundable share subscription deposit	**-**	12,175
Current portion of long-term debt	**34,462**	-
Total current liabilities	**332,378**	236,858
Non-current liabilities		
Long-term debt (Note 9)	**28,197**	-
Total liabilities	**360,575**	236,858
Shareholders' equity		
Share capital (Note 10)	**3,042,101**	660,607
Share purchase warrants (Note 11)	**578,086**	-
Reserves	**184,351**	136,825
Deficit	**(1,292,514)**	(650,087)
Total shareholders' equity	**2,512,024**	147,345
Total liabilities and shareholders' equity	**2,872,599**	384,203

Going concern (Note 2)

Subsequent event (Note 19)

On behalf of the board:

"signed", Leena Lakdawala — Leena Lakdawala, Director

"signed",Andre Godin — Andre Godin, Director

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

RELEVIUM TECHNOLOGIES INC.

(Unaudited - See Notice to Reader)
For the period ended December 31, 2015

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of shares	Share capital $	Reserves $	Warrants Reserve $	Deficit $	Total $
Balance - July 1, 2015	**10,898,000**	**660,607**	**136,825**	**-**	**(650,088)**	**147,344**
Net loss and comprehensive loss for the period	**-**	**-**	**-**	**-**	**(642,426)**	**(642,426)**
Issue of share capital through private placement	**10,015,466**	**548,654**	**-**	**578,086**	**-**	**1,126,740**
Agents' options	**-**	**(6,889)**	**6,889**	**-**	**-**	**-**
Share issue costs	**-**	**(98,084)**	**-**	**-**	**-**	**(98,084)**
Share-based compensation	**-**	**-**	**40,637**	**-**	**-**	**40,637**
Issue of shares on acquisition of assets	**17,225,000**	**1,937,813**	**-**	**-**	**-**	**1,937,813**
Balance - December 31, 2015	**38,138,466**	**3,042,101**	**184,351**	**578,086**	**(1,292,514)**	**2,512,024**

	Number of shares	Share capital $	Reserves $	Warrants Reserve $	Deficit $	Total $
Balance - June 30, 2014	**10,898,000**	**660,607**	**136,825**	**-**	**(456,639)**	**340,793**
Net loss and comprehensive loss for the period	-	-	-	-	(102,608)	(102,608)
Balance - December 31, 2014	10,898,000	660,607	136,825	-	(559,247)	238,185

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

RELEVIUM TECHNOLOGIES INC.

(Unaudited - See Notice to Reader)
For the period ended December 31, 2015

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

	Three months ended December 31		Six months ended December 31	
	2015	2014	**2015**	2014
	$	$	**$**	$
Expenses				
Office and administrative costs	**7,973**	2,947	**9,714**	4,962
Web site costs	**10,695**	-	**10,695**	-
Consulting fees	**205,320**	-	**298,640**	-
Professional fees	**18,435**	37,530	**107,883**	71,856
Travel and promotion	**13,431**	2,347	**16,770**	12,957
Public company expenses	**14,679**	865	**19,341**	19,411
Loss on foreign exchange	**12,212**	-	**18,489**	-
Share-based payments (Note 12)	**12,408**	-	**40,637**	-
Interest and bank charges	**628**	43	**791**	101
Loss before undernoted items	**(295,781)**	(43,732)	**(522,960)**	(109,287)
BIOflex magnet operations	**(45,306)**	-	**(75,781)**	-
Amortization of patent	**(25,675)**	-	**(50,402)**	-
Interest income	**3,340**	4,413	**6,717**	6,679
Net loss and comprehensive loss	**(363,422)**	(39,319)	**(642,426)**	(102,608)
Loss per share:				
Basic and fully diluted	**(0.0095)**	(0.0067)	**(0.0198)**	(0.0174)
Weighted average number of common shares outstanding for the period (Note 10)	**38,138,466**	5,898,000	**32,395,882**	5,898,000

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

RELEVIUM TECHNOLOGIES INC.

(Unaudited - See Notice to Reader)
For the period ended December 31, 2015

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Three months ended December 31		Six months ended December 31	
	2015	2014	**2015**	2014
	$	$	**$**	$
Cash flows for operating activities				
Net loss and comprehensive loss	**(363,422)**	(39,319)	**(642,426)**	(102,608)
Items not affecting cash:				
Share-based payments	**12,408**	-	**40,637**	-
Interest income recognized in net loss	**(3,340)**	(4,413)	**(6,717)**	(6,679)
Amortization of patent	**25,675**	-	**50,402**	-
	(328,679)	(43,732)	**(558,104)**	(109,287)
Net changes in non-cash working capital items (Note 14)	**23,344**	21,771	**(178,501)**	40,728
Net cash used in operating activities	**(305,335)**	(21,961)	**(736,605)**	(68,559)
Cash flows for investing activities				
Interest income	**3,340**	4,413	**6,717**	6,679
Acquisition of intangible assets in qualifying transaction (Note 13)	**-**	-	**(45,595)**	-
Net cash provided by investing activities	**3,340**	4,413	**(38,878)**	6,679
Cash flows for financing activities				
Issue of shares, net of share issue costs	**-**	-	**450,570**	-
Issue of share purchase warrants	**-**	-	**578,086**	-
Net cash flows provided by financing activities	**-**	-	**1,028,656**	-
Net increase (decrease) in cash and cash equivalents	**(301,995)**	(17,548)	**253,173**	(61,880)
Cash and cash equivalents - beginning of period	**607,413**	90,130	**52,245**	134,462
Cash and cash equivalents - end of period	**305,418**	72,582	**305,418**	72,582

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

1. Nature of business

The Company was incorporated under the Canada Business Corporations Act on July 19, 2012 under the name Ovid Capital Ventures Inc. and was classified as a Capital Pool Company, as defined by TSX Venture Exchange ("TSX-V") Policy 2.4.

On August 7, 2015, the Company completed a Qualifying Transaction, as defined under Policy 2.4 - Capital Pool Companies of the TSX-V, involving the acquisition of all of the assets of BIOflex Medical Magnetics, Inc. and on August 13, 2015, the Company filed articles of amendment in order to change its name to BIOflex Technologies Inc. The Company is a Tier 2 Life Sciences Issuer trading on the TSX-V under the trading symbol "BFT" and on the Frankfurt Stock Exchange under the symbol "6BX".

On December18, 2015, the Company filed articles of amendment in order to change its name to Relevium Technologies Inc. The Company is a Tier 2 Life Sciences Issuer trading on the TSX-V under the trading symbol "RLV".

The Company owns patented intellectual property for application in direct-to-consumer devices which aid in decreasing pain, improving recovery time and enhancing performance. The Company has developed and plans to commercialize several product applications including those specific for knees, elbows, ankles and back and is currently developing other products including a line of sleep and wellness products; all designed to enhance physical well-being.

The address of the Company's registered and head office is 1000 Sherbrooke St. West, Suite 2700, Montreal, Quebec, Canada.

2. Going concern

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern. Accordingly, they do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue its operations and therefore be required to realize its assets and discharge its liabilities and commitments in other than the ordinary course of business.

The Company has only recently, on August 7, 2015, completed its Qualifying transaction and does not currently have operations capable of of generating significant revenue or cash flows. As at December 31, 2015, the Company has an accumulated deficit of $1,292,514 (June 30, 2015 - $650,087), and working capital of $294,557 (June 30, 2015 - $(102,655)), has had losses and expects to incur further losses in the development of its business. The Company's continuing operations as intended are dependant upon its ability to obtain new equity financing to allow it continue to develop and commercialize several product applications. Financing options available to the Company include debt and equity financing. Realization values of the Company's assets may be substantially different from carrying values as shown in these condensed consolidated financial statements, should the Company be unable to continue as a going concern.

It is management’s opinion, given the current level of funding and projected levels of expenditures, the Company has sufficient cash resources to continue for the next six months.

3. Basis of preparation

The financial statements were authorized for issuance on February 29, 2016 by the board of directors of the Company.

Cont'd...

3. Basis of preparation - Cont'd

On August 18, 2015, the Company announced the closing, as of August 7, 2015, of its Qualifying Transaction, as defined under Policy 2.4 - Capital Pool Companies of the TSX-V, involving the acquisition of all of the assets of BIOflex Medical Magnetics, Inc. ("BIOflex") and a concurrent private placement.

The Qualifying Transaction was carried out by means of an asset purchase agreement, dated April 29, 2015 (the "Purchase Agreement") entered into between the Company, its wholly owned subsidiary Ovid Acquisition Corp. ("Acquireco"), BIOflex, and BIOflex's sole shareholder iTech Medical, Inc. Pursuant to the Purchase Agreement, Acquireco acquired all of the assets of BIOflex in exchange for cash consideration in the amount of $60,000 and the issuance of 17,225,000 Common Shares at a deemed price of $0.1125 per share.

In connection with the Qualifying Transaction, the Company completed the Offering of Units, which, as described in Note 10, comprised of a brokered and non-brokered private placement of an aggregate of 10,015,466 Units at a price of $0.1125 per Unit. Each Unit was comprised of one Common Share and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to acquire one additional Common Share at an exercise price of $0.15 for a period of twelve months from the Closing Date.

3.1 Statement of compliance

These unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). Accordingly, certain disclosures required in annual financial statements have been condensed or omitted. These condensed interim financial statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the most recent audited annual financial statements of the Company for the year ended June 30, 2015.

3.2 Basis of measurement

The unaudited condensed interim financial statements have been prepared under the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss or available for sale which are measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting and are presented in Canadian dollars, which is the functional currency of the Company.

3.3 Accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions about the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates and such differences could be significant.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change

Cont'd...

3. Basis of preparation - Cont'd

due to market changes or circumstances arising beyond the control of the Company. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and judgements are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. Key areas of estimation, where management has made difficult, complex or subjective judgements, often as a result of matters that are inherently uncertain, include the valuation of share based payments, accrued liabilities and deferred taxes.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's annual financial statements as at June 30, 2015.

4. Short-term investment

The short-term investment is a cashable investment certificate with the Company's bank bearing interest at the rate of 0.5% maturing within one year and whose market value approximates cost.

5. Receivables

Receivables are comprised of the following:

	December 31, 2015 $	June 30, 2015 $
Trade receivables	13,863	-
Accrued interest receivable	31,130	24,453
Sales taxes refundable	57,410	12,505
Sundry receivable	1,575	-
	103,978	36,958

6. Inventory

The inventory consists primarilly of finished goods. Inventory acquired as part of the Qualifying transaction and is carried at the estimated fair market value determined on a provisional basis as described in Note 13. All other inventory is carried at the lower of cost and net realisable value with the cost determined on a first-in, first-out basis.

Cont'd...

7. Loans receivable

	December 31, 2015 $	June 30, 2015 $
Unsecured, non-interest bearing advance to iTech Medical Inc., who, pursuant to the Qualifying Transaction described in Note 3, holds through its wholly owned subsidiary a 40%, non-controlling interest in the Company, maturing February 17, 2017.	25,000	25,000
Loan to to iTech Medical Inc., who, pursuant to the Qualifying Transaction described in Note 3, holds through its wholly owned subsidiary a 40%, non-controlling interest in the Company, bearing interest at the rate of 6% per annum, maturing no later than February 17, 2017 and secured by a general security over the assets of iTech and BIOflex.	225,000	225,000
	250,000	250,000

8. Intangible assets

	December 31, 2015 $	June 30, 2015 $
Trade name	30,000	-
Patent - net of accumulated amortization of $50,402	1,928,680	-
	1,958,680	-

On August 7, 2015, the Company acquired assets from BIOflex Medical Magnetics, Inc. The fair values of the trade name and the patent have been determined on a provisional basis pending the completion of a formal valuation.The Company allocated $30,000 as the estimated fair value for the Trade name and the difference between the purchase consideration and the fair values of and the other acquired assets of BIOflex Medical Magnetics, Inc. has been assigned to patented technology. The Company also agreed to undertake a liability desccribed in Note 9 of $50,000 US dollars to a third party party licensee for full ownership of the patent resulting in an estimated fair value of $2,016,066. The patent is amortized on a straight-line basis over it's estimated useful life of 20 years.

9. Long-term debt

As part of the acquisition of assets described in Note 13, the Company assumed a $50,000 US dollar, non-interest bearing obligation of the Vendor corporation in respect of the Patent rights acquired. This debt is repayable in monthly installments of $2,500 and has been recorded at the fair market value of the obligation assumed.

Cont'd...

10. Capital stock

Authorized -

An unlimited number of common shares and an unlimited number of preferred shares without nominal or par values

Issued -

December 31 2015	June 30 2015		December 31, 2015 $	June 30, 2015 $
38,138,466	10,898,000	Common shares	**3,042,101**	660,607

On August 7, 2015, the Company completed issued 17,225,000 common shares at a deemed price of $0.1125 per share ($1,937,813) pursuant to the Qualifying Transaction described in Note 3 whereby the Company acquired all of the assets of BIOflex Medical Magnetics, Inc.

In connection with the Qualifying Transaction referred to above, the Company completed an offering of Units, which consisted of a brokered private placement of 1,837,111 Units and a non-brokered private placement of an additional 8,178,355 Units at a price of $0.1125 per Unit. Each Unit was comprised of one Common Share and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to acquire one additional Common Share at an exercise price of $0.15 for a period of twelve months from the Closing Date. The proceeds attributable to the common shares is $443,682 being the net amount of the proceeds after share issue costs of $98,083 and estimating the fair value of the warrants of $578,086 calculated using the Black Scholes option pricing model with the following assumptions:

Risk free interest rate	0.45%
Expected volatility	100%
Dividend yield	NIL
Expected life	1 year
Grant date fair value	.0577

Jones, Gable & Company Limited (the "Agent") acted as agent for the brokered portion of the offering. As consideration for its services in connection with the transactions, the Agent (and its sub-agents) received: (i) a cash commission in the amount $18,687.50; (ii) 183,711 non-transferable agent compensation options, each entitling the holder thereof, for a period of twelve months from the Closing Date, to acquire one Common Share at a price of $0.1125 per share; and (iii) reimbursement of the fees and expenses incurred in connection with the transactions. The estimated fair value of the compensation option of $6,889 was calculated using the Black-Scholes option pricing model with the same assumptions as indicated above and is recorded as part of the share issue costs.

As of December 31, 2015, 20,106,000 of the issued and outstanding shares are subject to escrow conditions.

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Outstanding shares that are contingently returnable are excluded from the calculation of basic earnings per share. A summary of the weighted average number of common shares outstanding are as follows:

Cont'd...

10. Capital stock - Cont'd

	Three months ended		Six months ended	
	December 31, 2015	**December 31, 2015**	**December 31, 2015**	**December 31, 2015**
Weighted average number of common shares outstanding	**38,138,466**	10,898,000	**32,395,882**	10,898,000
Weighted average of contingently returnable shares	**-**	5,000,000	**-**	5,000,000
Weighted average number of non-contingently returnable shares	**38,138,466**	5,898,000	**32,395,882**	5,898,000

11. Share purchase warrants

Share purchase warrants outstanding and exercisable as at December 31, 2015 are summarized as follows**:**

	Three months ended December 31, 2015		Six months ended December 31, 2015	
	Number of Warrants	**Weighted Average Exercise Price $**	**Number of Warrants**	**Weighted Average Exercise Price $**
Balance - beginning of period	**10,015,466**	**0.1500**	-	-
Issued during the period	**-**	**-**	10,015,466	0.1500
Expired	**-**	**-**	-	-
Balance - end of period	**10,015,466**	**(0.1500)**	10,015,466	(0.1500)
Exerciseable	**10,015,466**	**0.1500**	10,015,466	0.1500

The warrants issued in connection with the private placement described in Note 8. Each warrant entitles the holder to purchase one common share of the Company. The warrants are exerciseable at $0.15 per share and expire in August 2016.

12. Share based payments

On November 7, 2012, the Company established an incentive stock option plan (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares. These options vest over a period determined by the Board of Directors when granted and expire after a period of up to ten years, provided that the number of common shares reserved for issuance under the Stock Option Plan does not exceed ten percent of the outstanding common shares issued. The Board of Directors determines the price per common share and the number of common shares that may be allotted to each director, officer, employee and consultant of the Company and all other terms and conditions of the options granted

Cont'd...

12. Share based payments - Cont'd

under the Stock Option Plan.
The Company has accounted for options granted using the fair value method. The fair value of the options granted to directors and officers was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

	Three months ended December 31, 2015	**Six months ended December 31, 2015**
Risk free interest rate	1.22%	1.13% - 1.22%
Expected volatility	67.03%	50.45% - 67.03%
Dividend yield	NIL	NIL
Expected life	10 years	10 years
Grant date fair value	.15	0.15

The fair value of the options granted to consultants of the Company was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

	Six months ended December 31, 2015
Risk free interest rate	0.45%
Expected volatility	0
Dividend yield	NIL
Expected life	1 year
Grant date fair value	.1125

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect fair values, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Stock option compensation costs are summarized as follows:

	Three months ended December 31, 2015	**Six months ended December 31, 2015**
Options granted to directors and officers	10,618	19,770
Options granted to consultants	1,790	20,867
	12,408	40,637

Cont'd...

12. Share based payments - Cont'd

A summary of changes in the Company's common share purchase options is presented below:

	Three months ended December 31, 2015		Six months ended December 31, 2015	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Balance - beginning of period	**3,161,511**	**0.1020**	1,037,800	0.1000
Shares granted under incentive option plan	**200,000**	**0.1500**	1,940,000	0.1500
Options granted as broker compensation for private placement	**-**	**-**	183,711	0.1125
Balance - end of period	**3,361,511**	**0.1314**	3,161,511	0.1314
Balance exerciseable - end of period	**1,706,511**	**0.1034**	1,706,511	0.1034

Common share purchase options outstanding, exercisable, granted to directors, officers and consultants of the Company as at December 31, 2015 are summarized as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Range of Expiry Date	Weighted Average Remaining Contractual Life
1,037,800	1,037,800	0.10	December 21, 2017	24 months
183,711	183,711	0.11	August 7, 2016	8 months
390,000	97,500	0.15	September 1, 2017	20 months
1,550,000	387,500	0.15	September 1 - October 29, 2025	117 months

13. BIOflex asset acquisition

As described in Note 3, the Company completed its Qualifying Transaction which was carried out pursuant to Purchase Agreement. Pursuant to the Purchase Agreement, Acquireco acquired all of the assets of BIOflex in exchange for cash consideration in the amount of $60,000 and the issuance of 17,225,000 common Shares of the Company at a deemed price of $0.1125 per share. In addition, the Company assumed an obligation regarding the patent rights in the amount of $50,000 US dollars which is repayable as described in Note 9.

The fair values of the of the acquired assets have been determined on a provisional basis pending the completion of a formal valuation and have been allocated as follows:

Cont'd...

13. BIOflex asset acquisition - Cont'd

	$
Trade receivables	1,205
Inventory	13,200
Trade name	30,000
Patent	2,016,066
	2,060,471

The Company allocated $30,000 as the estimated fair value for the Trade name and the difference between the purchase consideration and the fair values of and the other acquired assets of BIOflex Medical Magnetics, Inc. has been assigned to patented technology for an estimated fair value of $2,016,066. The patent is amortized on a straight-line basis over it's estimated useful life of 20 years.

14. Statement of cash flows

Changes in non-cash working capital items:

	Three months ended December 31		Six months ended December 31	
	2015	**2014**	**2015**	**2015**
	$	**$**	**$**	**$**
Receivables	**(30,739)**	3,968	**(67,020)**	(1,695)
Inventory	**(5,400)**	-	**(10,400)**	-
Prepaid expenses	**55,431**	-	**(162,139)**	-
Accrued liabilities	**4,052**	17,803	**73,233**	42,423
Refundable share subscription deposit	**-**	-	**(12,175)**	-
	23,344	21,771	**(178,501)**	40,728

15. Related party transactions

On August 7, 2015, Certain senior offices and directors of the Company subscribed for an aggregate of 1,710,000 Units issued as part of the Private placement described in Note 8. Each Unit is comprised of one common share and one Warrant. The gross proceeds of these subscriptions were $192,375 and all securities issued pursuant to the transactions are subject to a four-month plus one-day hold period which expired on December 8, 2015.

During the six months ended December 31, 2015, the Company incurred approximately $94,000 in legal fees and disbursements regarding services provided by a law firm whose partner is an officer of the Company. $20,000 of these legal fees have been recorded as share issue costs, while the balance are recorded professional fees.

Accrued interest receivable of $31,130 is from iTech Medical Inc., the parent company of a 40% non-controlling shareholder of the Company. Interest income accrued during the six month period was $6,717.

Cont'd...

15. Related party transactions - Cont'd

These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties.

16. Capital disclosures

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders;
- to maintain sufficient cash resources to support its ongoing activities;
- to maintain a flexible capital structure which optimizes the cost of capital at an acceptable level of risk.

In the management of capital, the Company considers the items includes shareholders' equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets. The Company, upon the approval of the Board of Directors, will balance its overall capital structure through the issue of new shares, acquiring or disposing of assets, or by undertaking other activities as deemed appropriate under specific circumstances.

The Company is not exposed to any externally imposed capital requirements.

17. Compensation of key management

Key management includes the roles of CEO, president and CFO. During the period, the following compensation was paid to key management.

	Three months ended December 31		**Six months ended December 31**	
	2015	2015	**2015**	2015
	$	**$**	**$**	**$**
Consulting fees	45,000	-	67,500	-
Share-based payments	3,157	-	11,333	-
	48,157	-	78,833	-

18. Financial instruments and risk management

Fair Value

The carrying values of cash and cash equivalents, short-term investments, sundry receivables and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Cont'd...

18. Financial instruments and risk management - Cont'd

The determination of the fair value of cash and cash equivalents was calculated using level 1 of the fair value hierarchy.

Credit risk

The Company is exposed to credit risk through its cash and cash equivalents and its loans receivable described in Note 5. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Cash and cash equivalents are maintained with a high quality financial institution. As the Company's cash is held by a single Canadian bank, there is a concentration of credit risk. The carrying amount of cash and cash equivalents represents the Company's maximum credit exposure.

Loans receivable from iTech of $250,000 were advanced in anticipation of a definitive merger agreement.The proposed qualifying transaction with iTech was terminated and the Company completed a new Qualifying Transaction with BIOflex. Management has determined that while the original conditions of the loan have not been met, the new proposed Qualifying Transaction would provide iTech with the ability to meet its obligations to repay these loans and accordingly, no impairment of the loan is necessary. The carrying amount of the loans receivable and accrued interest represents the Company’s maximum credit exposure.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages its short-term investments based on its cash flow needs. A change in the interest rates of 1% will not have a significant impact on the operations and cash flows of the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's ability to continue as a going concern is dependant on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by continuously forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and committments.

19. Subsequent events

Subsequent to December 31, 2015, the Company has undertaken a review of its operations and the Qualifying Transaction which closed in August 2015. As a result of this review, the Company has entered into discussions with   BIOflex and iTech Medical, Inc., the sole shareholder of BIOflex, to resolve the value of the assets acquired in relation to the amount of the consideration paid pursuant to the Purchase Agreement. Accordingly, on February 26, 2016, the Company, BIOflex and iTech Medical, Inc. have agreed to adjust the purchase price

Cont'd...

19. Subsequent events - Cont'd

under the Purchase Agreement (the "Purchase Price Adjustment").

As part of, and in satisfaction of, the Purchase Price Adjustment: (i) BIOflex shall return a total of 8,612,500 common shares in the capital of the Company which it currently owns to the Company for cancellation; (ii) the Company shall issue 1,722,500 common share purchase warrants to BIOflex (which shall be restricted and legended pursuant to applicable Canadian and U.S. securities laws), with each warrant being exercisable to acquire one common share in the capital of the Company, at a price of $0.1125 per share (being the same issue price as the securities transacted pursuant the Qualifying Transaction and representing a premium to the current market price of the Company's common shares on the TSX Venture Exchange), for a period of three years from the date of issuance of the warrants; and (iii) the Company shall release the right of first refusal in respect of the muscle pattern recognition (MPR) technology of iTech Medical, Inc. contemplated by Section 5.1(l)(v) of the Purchase Agreement, the whole subject to the receipt of applicable regulatory approvals, including that of the TSX Venture Exchange.

In addition, and as part of the discussions relating to the Purchase Price Adjustment, the Company has determined to settle the $225,000 loan owing from iTech Medical, Inc., as well as any accrued interest thereon.

Other than as regards the Purchase Price Adjustment, terms and conditions and the duties and obligations of the parties pursuant to the Purchase Agreement continue in full force and effect.

The Company shall file an application with the TSX Venture Exchange and prepare and file a material change report in respect of the above-mentioned proposed transactions promptly.

The Purchase Price Adjustment and loan settlement may constitute related party transactions pursuant to applicable securities laws and the policies of the TSX Venture Exchange. Notwithstanding the foregoing, the Company believes that proposed transactions are exempt from the formal valuation and majority of the minority approval requirements of applicable securities laws and the policies of the TSX Venture Exchange by virtue of the fact that neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the proposed transactions, exceeds 25% of the Company's market capitalization. In addition, the Company's securities are not listed or quoted on the Toronto Stock Exchange or any other senior exchange.

The Board of Directors of the Company considered the proposed transactions and unanimously concluded that they are in the best interests of the Company. If the proposed transactions are approved by the applicable regulatory authorities, BIOflex will own, to the knowledge of the Company, a total of 7,612,500 common shares and 1,722,500 warrants to acquire common shares of the Company, representing approximately 20% of the currently issued and outstanding common shares of the Company. This represents a 50% reduction in the number of common shares of the Company initially issued to BIOflex as part of the Qualifying Transaction.