HEALTHSPACE DATA SYSTEMS LTD.

Consolidated Financial Statements

For the year ended July 31, 2016
(Expressed in US dollars)

HAY & WATSON | Chartered Professional Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of HealthSpace Data Systems Ltd.:

We have audited the accompanying consolidated financial statements of HealthSpace Data Systems Ltd., which comprise the consolidated statements of financial position as at July 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of HealthSpace Data Systems Ltd. as at July 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which indicates that a material uncertainty exists which may cast significant doubt on the ability of HealthSpace Data Systems Ltd. to continue as a going concern.

Hay + Watson

Chartered Professional Accountants
Vancouver, British Columbia
November 9, 2016

HEALTHSPACE DATA SYSTEMS LTD.

Consolidated Statements of Financial Position

As at July 31, 2016

(Expressed in US dollars)

		July 31, 2016		July 31, 2015
ASSETS				
Current Assets				
Cash	**$**	**348,484**	$	276,885
Restricted cash (Note 13)		**-**		2,300,448
Accounts receivable		**245,933**		177,957
Prepaid and deposits		**132,686**		99,853
Other receivables		**123,992**		112,025
Total Current Assets		**851,095**		2,967,168
Goodwill (Note 4)		**1,843,926**		1,835,750
Property and Equipment (Note 5)		**55,588**		45,884
Intangible Assets (Note 6)		**513,383**		527,673
Software License Inventory (Note 7)		**291,343**		290,051
TOTAL ASSETS		**3,555,335**		5,666,526
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		**881,230**		1,468,136
Deferred revenue (Note 8)		**569,441**		549,736
Notes payable (Note 9)		**857,656**		643,174
Current portion of finance lease obligations (Note 10)		**56,759**		61,881
Current portion of convertible debentures (Note 11)		**53,341**		262,720
Current portion of secured loans (Note 12)		**787,462**		134,580
Other liabilities		**17,507**		17,429
Total Current Liabilities		**3,223,396**		3,137,656
Finance Lease Obligations (Note 10)		**11,689**		488
Convertible Debentures (Note 11)		**-**		84,784
Secured Loans (Note 12)		**-**		1,177,687
TOTAL LIABILITIES		**3,235,085**		4,400,615
SHAREHOLDERS' EQUITY				
Share capital (Note 13)		**2,673,317**		381,056
Share subscriptions (Note 13)		**-**		1,990,657
Warrant reserve		**87,029**		92,454
Option reserve		**189,522**		-
Foreign currency translation adjustment		**(26,047)**		58,801
Deficit		**(2,603,571)**		(1,257,057)
TOTAL SHAREHOLDERS' EQUITY		**320,250**		1,265,911
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**$**	**3,555,335**	$	5,666,526

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

Approved on behalf of the Board of Directors

"Ali Hakimzadeh" Director

"Alnesh Mohan" Director

HEALTHSPACE DATA SYSTEMS LTD.

Consolidated Statements of Loss and Comprehensive Loss

For the year ended July 31, 2016

(Expressed in US dollars)

		July 31, 2016		July 31, 2015
REVENUE				
Subscriptions	$	**1,732,218**	$	1,778,195
Contract and implementation		**206,493**		82,246
Total Revenue		**1,938,711**		1,860,441
OPERATING EXPENSES				
Amortization		**139,876**		41,915
Amortization – software licenses		**116,529**		131,275
Advertising and promotion		**106,584**		11,897
Consulting fees		**482,960**		75,612
Dues and subscriptions		**9,218**		30,796
Filing fees		**26,188**		-
Insurance		**74,807**		84,398
Information technology expenses		**4,293**		27,623
Meals and entertainment		**28,055**		16,368
Office expenses		**43,731**		50,092
Professional fees		**453,612**		446,503
Rent		**73,498**		85,205
Restructuring costs		**-**		77,042
Royalties		**12,172**		31,668
Salaries and wages		**1,038,263**		930,323
Share-based compensation		**186,111**		-
Hosting and telecommunication		**339,420**		315,753
Travel and transportation		**140,201**		115,231
Utilities		**3,545**		5,403
Total Operating Expenses		**3,279,063**		2,477,104
LOSS FROM OPERATIONS		**(1,340,352)**		(616,663)
OTHER INCOME (EXPENSES)				
Interest and finance costs		**(460,633)**		(607,745)
Settlement of liabilities (Note 9)		**420,944**		247,064
SR&ED recovery		**11,262**		35,412
Foreign exchange gain		**21,060**		3,532
Other revenue		**1,205**		40,997
NET LOSS		**(1,346,514)**		(897,403)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit and loss				
Foreign currency translation adjustment		**(101,302)**		49,738
COMPREHENSIVE LOSS	$	**(1,447,816)**	$	(847,665)
BASIC AND DILUTED LOSS PER SHARE (Note 19)	$	**(0.027)**	$	(0.033)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		49,426,210		27,403,129

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

HEALTHSPACE DATA SYSTEMS LTD.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended July 31, 2016

(Expressed in US dollars)

	Share capital							
	Number of Shares (Note 1)	**Amount**	**Share subscriptions**	**Warrant Reserve**	**Option Reserve**	**Foreign currency translation adjustment**	**Deficit**	**Total**
Balances, August 1, 2014	14,013,546	$ 92	$ -	$ 10,311	$ -	$ (30,512)	$ (359,654)	$ (379,763)
Issue of shares	27,420,740	418,800	-	-	-	-	-	418,800
Share subscriptions, net of share issue costs of $661,585	18,139,167		1,990,657	83,882				2,074,539
Cancellation of shares on amalgamation	(12,077,736)	-			-	-	-	-
Foreign currency translation adjustment recognized directly in equity	-	(37,836)	-	(1,739)		39,575	-	-
Other comprehensive (loss)	-	-	-	-	-	49,738	-	49,738
Net loss	-	-	-	-	-	-	(897,403)	(897,403)
Balances, July 31, 2015	47,495,717	$ 381,056	$ 1,990,657	$ 92,454	$ -	$ 58,801	$ (1,257,057)	$ 1,265,911
Issue of shares	**1,850,000**	**312,349**	**-**	**2,724**	**-**	**-**	**-**	**315,073**
Warrant exercise	**1,073,515**	**9,532**		**(8,561)**	**-**	**-**	**-**	**971**
Grant of options to management and employees	**-**	**-**	**-**	**-**	**186,111**	**-**	**-**	**186,111**
Exercise of share subscriptions	**-**	**1,994,308**	**(1,994,308)**	**-**	**-**	**-**	**-**	**-**
Foreign currency translation adjustment recognized directly in equity	**-**	**(23,928)**	**3,651**	**412**	**3,411**	**16,454**	**-**	**-**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(101,302)**	**-**	**(101,302)**
Net loss	**-**	**-**	**-**	**-**	**-**	**-**	**(1,346,514)**	**(1,346,514)**
Balances, July 31, 2016	**50,419,232**	**$ 2,673,317**	**$ -**	**$ 87,029**	**$ 189,522**	**$ (26,047)**	**$ (2,603,571)**	**$ 320,250**

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

HEALTHSPACE DATA SYSTEMS LTD.

Consolidated Statements of Cash Flows

For the year ended July 31, 2016

(Expressed in US dollars)

		July 31, 2016		July 31, 2015
OPERATING ACTIVITIES				
Net loss	$	**(1,346,514)**	$	(897,403)
Adjustments for:				
Amortization of property and equipment and intangible assets		**139,876**		41,915
Amortization of software licenses		**116,529**		131,275
Interest		**460,633**		607,745
Settlement of liabilities		**(420,944)**		(247,064)
Share based compensation		**186,111**		-
Other investing and financing items		**86,291**		-
		(778,018)		(363,532)
Net changes in non-cash working capital items				
(Decrease) increase in accounts payable		**(586,906)**		632,910
(Increase) decrease in accounts receivable		**(67,976)**		122,390
Decrease (increase) in other receivables		**(11,967)**		67,802
Increase in deferred revenue		**19,705**		139,410
(Increase) decrease in prepaid and deposits		**(32,833)**		(11,655)
		(1,457,995)		587,325
Interest paid		**(359,900)**		(400,508)
		(1,817,895)		186,817
INVESTING ACTIVITIES				
Acquisition of property and equipment		**(2,264)**		(2,707)
Acquisition of intangible assets		**(192,592)**		(95,156)
		(194,856)		(97,863)
FINANCING ACTIVITIES				
Payments on finance lease obligations		**(123,675)**		(207,628)
Payments on debt		**(976,867)**		-
Proceeds from issuance of debt		**684,891**		354,378
Exercise of the special warrants		**971**		2,352,303
Proceeds from issuance of shares, net of issue costs		**315,073**		-
		(99,607)		2,499,053
Cash (decrease) increase		**(2,112,358)**		2,588,007
Effects of movements in exchange rates on cash		**(116,491)**		(65,364)
CASH, beginning of year		**2,577,333**		54,690
CASH, end of year	$	**348,484**	$	2,577,333
CASH IS COMPOSED OF:				
Cash	$	**348,484**	$	276,885
Restricted cash		**-**		2,300,448
	$	**348,484**	$	2,577,333

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

1. NATURE OF OPERATIONS

HealthSpace Data Systems Ltd., formerly known as HealthSpace Informatics Ltd. ("Healthspace" or the "Company"), was formed on May 15, 2015 on the amalgamation of NST Holdings Ltd. ("NST") and its wholly owned subsidiary companies, HealthSpace Informatics Ltd. ("Healthspace 2009"), HealthSpace Informatics USA Inc. ("Healthspace USA"), Joule Microsystems Inc. and Joule Biosystems Inc. NST was incorporated in the Province of British Columbia, Canada on October 31, 2014. Healthspace 2009 was incorporated in the Province of British Columbia, Canada on July 31, 2009, on the amalgamation of Healthspace Integrated Solutions Ltd. and Joule Microsystems Canada Inc. Healthspace USA was incorporated in the State of Virginia on December 28, 2000.

The principal business activity of the Company is the development and sale of information and communication management systems for health inspection departments of federal, provincial, state and municipal governments in Canada and the United States of America. The head office of the Company is located at 201-7491 Vedder Road, Chilliwack, British Columbia, V2R 6E7.

Financial Statement Presentation Framework

The consolidated financial statements for the year ended July 31, 2016 include the financial information of Healthspace and its wholly owned subsidiary HealthSpace USA Inc.

The comparative financial statements for the year ended July 31, 2015 present the historical financial condition of the Company as if the amalgamation completed on May 15, 2015 had occurred on July 31, 2009 and that the Company had operated continuously since then, on the basis that the economic activities of the Company encompass assets and liabilities that can be clearly distinguished from those linked to other economic activities and that the economic activities of the integrated assets and liabilities were conducted for the purpose of providing specific economic benefits. The comparative financial statements for the year ended July 31, 2015 also include the historical financial information of Britannica HealthSpace Holdings Ltd. ("Britannica"). Britannica owned Healthspace 2009, Healthspace USA, Joule Microsystems Inc. and Joule Biosystems Inc. from November 21, 2013 to November 5, 2014, when its assets were sold to NST.

Corporate Reorganizations

Healthspace 2009, the Company's principal operating company until the May 15, 2015 amalgamation, was incorporated in the Province of British Columbia, Canada on July 31, 2009, on the amalgamation of two predecessor companies, Healthspace Integrated Solutions Ltd. and Joule Microsystems Canada Inc. Healthspace 2009's principal business activity continued to be the development and sale of information and communication management systems for health inspection departments of federal, provincial, state and municipal governments in Canada and the United States of America.

On September 10, 2013, Britannica made an offer to the shareholders of Healthspace 2009 to acquire all of Healthspace 2009's outstanding pre-amalgamation Class A Common Voting Shares and pre-amalgamation Class C Preferred Shares (recorded as liabilities in these consolidated financial statements). On November 21, 2013, Britannica obtained control of Healthspace 2009 by completing the purchase of 100% of the issued and outstanding pre-amalgamation Class A Common Voting Shares for CDN $0.09 per share. Britannica also purchased 99% of the issued and outstanding pre-amalgamation Class C Preferred Shares for CDN $0.30 per share.

In order to facilitate the purchase of the shares of Healthspace 2009, on November 21, 2013 Britannica obtained secured loans of CDN $1.7 million, bearing interest at 17% per annum and maturing on November 21, 2015 (Note 12). Subsequently, on September 30, 2014, Britannica did not meet the minimum cash position covenant and was in default of the secured loan agreement. The lenders of the secured loan delivered notices of default and intention to enforce security under the loan provisions to Britannica on September 30, 2014. This gave the lenders of the secured loan the right to seize all present and after-acquired assets of Britannica (the "Collateral"), including the shares of Healthspace 2009 which it owned. Britannica was not able to cure the default within the allowed 10 days after the notices were delivered. On October 14, 2014, the secured lenders gave Britannica notice that a payment of approximately CDN $1.7 million plus interest to the date of payment was required on or before November 4, 2014 in order to redeem the Collateral. Britannica was unable to redeem the Collateral and on November 5, 2014, the Collateral, including the shares of Healthspace 2009, was sold by the lenders to NST, a company controlled by the lenders of the secured loan, for CDN $1.7 million in full satisfaction of the loan.

On May 15, 2015, NST was amalgamated with its wholly owned subsidiary, Healthspace 2009. The operating name "HealthSpace Informatics Ltd." was retained by the resulting entity.

On November 5, 2015, the Company changed its name to HealthSpace Data Systems Ltd.,

1. NATURE OF OPERATIONS (continued)

Going Concern

As at July 31, 2016 the Company had a working capital deficiency of $2,372,301 (2015 - deficiency of $170,488) and will therefore need funding to continue its operations. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles to a going concern will be in significant doubt.

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue its operations in the normal course of business.

2. BASIS OF PREPARATION

Statement of Compliance

The Company prepared these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee ("IFRIC") and the Financial Statement Presentation Framework described in Note 1.

These consolidated financial statements have been prepared in accordance with the accounting policies presented below and are based on IFRS and IFRIC interpretations issued and effective as of July 31, 2016. These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 9, 2016.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for cash, restricted cash and financial instruments classified as fair value through profit or loss or available-for-sale that have been measured at fair value, and are presented in US dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates and Judgments

The preparation of these consolidated financial statements required management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The 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 further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these consolidated financial statements include, among others, the recoverability of accounts receivable and other receivables, measurement of share-based payments and the valuations of property and equipment, intangible assets, goodwill, software license inventory and deferred tax assets.

(Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Estimates and Judgments (continued)

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from property and equipment, intangible assets, goodwill and the software license inventory.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting as of the date that control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Goodwill is measured as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets and liabilities assumed, measured as at the acquisition date. Any goodwill that arises is tested annually for impairment. Any gains on a "bargain purchase" are recognized in the consolidated statement of loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. All inter-company transactions, balances, income and expenses are eliminated in the consolidated financial statements.

The consideration transferred on acquisition does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statement of loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured at any time and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognized in the consolidated statement of loss.

Presentation and Functional Currencies

The functional currency of Healthspace Data Systems Ltd. is the Canadian dollar. The functional currency of the Company's US operations is the US dollar. Transactions in currencies other than the Company's functional currency are initially recorded in the functional currency at the foreign exchange rates on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated into the functional currency using the period end foreign exchange rate. Non-monetary assets and liabilities are translated into the functional currency using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated into the functional currency using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of loss.

The Company has selected the US dollar as the presentation currency of these consolidated financial statements. The assets, liabilities and equity of the Company are translated to US dollars at the foreign exchange rates in effect at the end of the period. The income and expenses of the Company are translated at the foreign exchange rates at the dates of the transactions. All gains and losses on translation of these foreign currency transactions are included in other comprehensive income or loss or recognized directly in equity and accumulated in the foreign currency translation adjustment reserve.

Foreign exchange rates used for currency translation in these consolidated financial statements include:

Period end dates	US to CDN	CDN to US
July 31, 2015	1.3099	0.7634
July 31, 2016	1.3041	0.7668

Period averages	US to CDN	CDN to US
Year ended July 31, 2015	1.1916	0.8392
Year ended July 31, 2016	1.3280	0.7530

(Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The Company's financial assets and financial liabilities are classified as follows:
- Cash and restricted cash are classified as "fair value through profit or loss" and are measured at fair value.
- Accounts receivable and other receivables are classified as "loans and receivables" and are measured at amortized cost. At July 31, 2016 and 2015, the recorded amounts approximate fair value.
- Accounts payable and accrued liabilities, notes payable, finance lease obligations, convertible debentures, other liabilities, and secured loans are classified as "other financial liabilities" and are measured at amortized cost. At July 31, 2016 and 2015, the recorded amounts approximate fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or liability not measured subsequently at fair value through profit and loss are added to the carrying amount of the financial asset or financial liability and are amortized to operations using the effective interest rate method.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:
- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – inputs for the asset or liability are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At July 31, 2016 and 2015, there were no financial assets or liabilities measured and recognized in the consolidated statement of financial position at fair value that would have been categorized as Level 2 or 3 in the fair value hierarchy above.

Impairment of Financial Assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between the carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in the consolidated statement of loss. If the amount of the impairment decreases in a subsequent period and the decrease can by objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed, up to the original carrying value of the asset. Any reversal is recognized in the consolidated statement of loss.

Cash

Cash in the consolidated statement of financial position is comprised of cash and short-term deposits which have an original maturity of three months or less or are readily convertible into a known amount of cash.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recorded using either the declining balance or the straight-line method and is intended to depreciate the costs of assets over their estimated useful lives:

Office equipment	20% declining balance
Computer hardware	33% declining balance
Computer software	100% declining balance
Leasehold improvements	5 years straight line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets and Goodwill

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Other intangible assets	Other intangible assets, including customer relationships and contracts, unpatented technology and an inspection application that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Customizable application is an internally developed software platform and has finite useful life measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recorded in the consolidated statement of loss as incurred.

Amortization is recorded annually using either the declining balance or straight-line method and is intended to amortize the costs of the assets over their estimated useful lives:

Customer relationships and contracts	10 years straight line
Unpatented technology	6 years straight line
Inspection application	33% declining balance
Customizable application	10 years straight line

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Software License Inventory

Software license inventory includes all costs incurred to acquire licenses. The software license inventory is recorded at cost and is considered an indefinite life asset. Management conducts an impairment test at least annually by comparing carrying values to recoverable amounts and when there is an indication that impairment has occurred, an impairment charge is recorded. Changes arising from the test are recorded by the Company prospectively.

Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets have suffered any impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the consolidated statement of loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Leases

A lease that transfers substantially all of the benefits and risks of ownership to the Company is classified as a finance lease. At the inception of a finance lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair market value. Assets under finance leases are amortized on the declining balance

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset when it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Share Capital and Share-based Payments

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments. Incremental costs directly attributed to the issuance of new shares are shown in equity as a reduction, net of tax, of the proceeds received on issue.

The Company issues share purchase options under its Share Option Plan described in Note 14. The fair value of share purchase options granted to employees, consultants, directors and others providing similar services is measured at the grant date using an option pricing model. Subsequently, the fair value of share purchase options ultimately expected to vest is charged to operations over the vesting period. Share purchase options granted to third parties in exchange for goods or services are measured at the fair value of the goods or services received and charged to operations over the vesting period.

Income Recognition

Revenue is recognized when the product or service is delivered, the price is fixed or determinable, persuasive evidence of an arrangement exists and collectability is reasonably assured. Contract revenue is recognized on the percentage of completion basis. Amounts invoiced or received for which the contracted services have not yet been performed are recorded as deferred revenue.

Comprehensive Income or Loss

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Financial assets that are classified as available-for-sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the consolidated statement of financial position. Certain gains and losses on the translation of amounts between the functional and presentation currency of the Company are included in other comprehensive income or loss.

Loss Per Share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Income Taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years. Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the consolidated statement of financial position and their corresponding tax values, using the enacted or substantially enacted income tax rates at each consolidated statement of financial position date. Deferred tax assets also result from unused losses, tax credits, and other available deductions.

(Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

Adoption of New Accounting Pronouncements

The following is a summary of new standards, amendments and interpretations that are effective for annual periods beginning on or after July 1, 2015:

- IFRS 7, Financial Instruments: Disclosures ("IFRS 7") - amendments
  The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9. The application of the amendments to IFRS 7 did not have any material impact on the consolidated financial statements presented.
- IAS 16, Property, Plant and Equipment ("IAS 16")
  The amendment to IAS 16 provides clarification of acceptable methods of depreciation and amortization. The application of the amendments to IAS 16 did not have any material impact on the consolidated financial statements presented.
- IAS 38, Intangible Assets ("IAS 38") - amendments
  The amendment to IAS 38 provides clarification of acceptable methods of depreciation and amortization. The application of the amendments to IAS 38 did not have any material impact on the consolidated financial statements presented.

Recent Accounting Pronouncements

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these consolidated financial statements. The Company is currently assessing the impact that these new and amended standards will have on the consolidated financial statements.

- IFRS 9, Financial Instruments ("IFRS 9")
  IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. The effective date for application of IFRS 9 was revised from annual periods beginning on or after January 1, 2015, to annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the adoption of the amendments on its condensed consolidated interim financial statements; however, the impact, if any, is not expected to be significant.
- IFRS 15, Revenue from contracts with customers ("IFRS 15")
  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 14 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.
- IFRS 16, Leases ("IFRS 16")
  IFRS 16 establishes a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. IFRS 16 will replace IAS 17 and is effective for annual reporting periods beginning on or after January 1, 2019.

4. Goodwill

Goodwill, representing the sales and growth potential of Healthspace 2009 arising from the acquisition of Healthspace by Britannica on November 21, 2013 was recognized as follows:

Goodwill, July 31, 2014	$	2,208,239
Effect of movement in exchange rates		(372,489)
Goodwill, July 31, 2015		1,835,750
Effect of movement in exchange rates		8,176
Goodwill, July 31, 2016	**$**	**1,843,926**

None of the goodwill recognized is expected to be deductible for tax purposes and, as of July 31, 2016, no impairment has been identified.

(Expressed in US dollars)

5. PROPERTY AND EQUIPMENT

	Computer Hardware ($)	Furniture and Equipment ($)	Leasehold Improvements ($)	Total ($)
COST				
Balances, July 31, 2014	78,356	4,229	590	83,175
Additions	2,706	-	-	2,706
Effect of movement in exchange rates	(11,316)	-	(94)	(11,410)
Balances, July 31, 2015	69,746	4,229	496	74,471
Additions	24,462	-	-	24,462
Effect of movement in exchange rates	701	-	-	701
Balance, July 31, 2016	**94,909**	**4,229**	**496**	**99,634**
ACCUMULATED AMORTIZATION				
Balances, July 31, 2014	14,381	621	361	15,363
Amortization	15,436	695	218	16,349
Effect of movement in exchange rates	(3,042)	-	(83)	(3,125)
Balances, July 31, 2015	26,775	1,316	496	28,587
Amortization	14,598	539	-	15,137
Effect of movement in exchange rates	323	-	-	323
Balance, July 31, 2016	**41,695**	**1,855**	**496**	**44,046**
NET BOOK VALUE				
Balance, July 31, 2015	42,971	2,913	-	45,884
Balance, July 31, 2016	**53,214**	**2,374**	**-**	**55,588**

6. INTANGIBLE ASSETS

	Unpatented technology ($)	Customer relationships and contracts ($)	Inspection application (6a) ($)	Customizable Application (6b) ($)	Total ($)
COST					
Balance, July 31, 2014	145,792	36,787	-	-	182,579
Additions from acquisitions	-	-	456,434	-	456,434
Effect of movements in exchange rates	(24,592)	(6,205)	(41,227)	-	(72,024)
Balance, July 31, 2015	121,200	30,582	415,207	-	566,989
Additions from acquisitions	-	-	52,168	-	52,168
Additions from internal development	-	-	-	56,231	56,231
Effect of movements in exchange rates	540	136	2,805	1,031	4,512
Balance, July 31, 2016	**121,739**	**30,718**	**470,180**	**57,262**	**679,899**
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Balance, July 31, 2014	16,776	2,540	-	-	19,316
Amortization	22,206	3,362	-	-	25,568
Effect of movements in exchange rates	(4,836)	(732)	-	-	(5,568)
Balance, July 31, 2015	34,146	5,170	-	-	39,316
Amortization	19,925	3,017	100,861	937	124,740
Effect of movements in exchange rates	517	78	1,848	17	2,461
Balance, July 31, 2016	**54,588**	**8,265**	**102,709**	**955**	**166,517**
NET BOOK VALUE					
Balance, July 31, 2015	87,054	25,412	415,207	-	527,673
Balance, July 31, 2016	**67,151**	**22,453**	**367,470**	**56,308**	**513,383**

The amortization of unpatented technology and customer relationships and contracts is included in “Amortization” in the consolidated statement of loss.

(Expressed in US dollars)

6. INTANGIBLE ASSETS (continued)

6 (a) Inspection application

On May 1, 2015, the Company acquired an iOS- and Android-compatible inspection application and related online tools from iGov Inc ("iGov") for fixed and variable consideration of up to $1.25 million. The technology was made available to the public on the Android app store on November 1, 2015. The potential future consideration for this acquisition is:

		Maximum payable		As at July 31, 2016
Shares to be issued based on gross qualifying product licenses sold before January 1, 2017	$	300,000	$	3,430
10% royalty on gross license revenues earned before January 1, 2017.	$	455,000	$	6,750

6 (b) Customizable application

Customizable application consists of internally developed software for which the Company incurred $21,897 in research and development expenses recognized as operating expenses during the year ended July 31, 2016 (2015 – Nil).

7. SOFTWARE LICENSE INVENTORY

COST	Licenses ($)
Balance, July 31, 2015	348,905
Effect of movements in exchange rates	(58,854)
Balance, July 31, 2015	290,051
Effect of movements in exchange rates	1,292
Balance, July 31, 2016	**291,343**
ACCUMULATED AMORTIZATION AND IMPAIRMENT	
Balance, July 31, 2014	-
Balance, July 31, 2015	-
Balance, July 31, 2016	-
NET BOOK VALUE	
Balance, July 31, 2015	290,051
Balance, July 31, 2016	**291,343**

The Company has entered into an agreement with IBM Canada to be an authorized service provider. As part of this agreement, the Company currently holds 3,043 usage licenses and 1,100 server processor licenses from IBM Canada and is authorized to distribute the usage rights to clients of the Company. These licenses remain under the control of the Company and are property of the Company as long as the Company holds a maintenance contract with IBM Canada. The current maintenance contract expires on December 31, 2016, at which time it is expected to be renewed.

8. DEFERRED REVENUE

Deferred revenues represent customer payments received for software support and maintenance services to be provided over the next 1 to 8 years.

		July 31, 2016		July 31, 2015
Wisconsin Department of Health	**$**	**232,112**	$	231,728
Other		**337,329**		318,008
Total	**$**	**569,441**	$	549,736

(Expressed in US dollars)

9. NOTES PAYABLE

		July 31, 2016		July 31, 2015
Fred Green - *Note – 9 (a)(i)*		-		7,634
Fred Green - *Note – 9 (a)(ii)*		-		92,784
Fred Green - *Note - 9 (a)(iii)*		-		122,144
Tech Solution - *Note - 9 (b)*		-		19,085
Irene McKerlich - *Note - 9 (c)*		-		11,451
Bill Lawson - *Note 9 (d)*		**19,718**		19,631
R.C. Morris & Company Special Opportunities Debt Fund I LP – *Note – 9 (e)*		**71,936**		33,342
R.C. Morris & Company Special Opportunities Debt Fund II LP – *Note – 9 (f)*		**763,724**		334,836
Other		**2,278**		2,267
Total	**$**	**857,656**	$	643,174

9 (a) Advances from Fred Green

(i) This amount does not bear any interest and is due on demand.

(ii) Beginning June 2005 and ending July 2014, the Company accumulated amounts payable to Fred Green related to its office space in Hope, British Columbia. This note payable does not bear any interest and is due on demand.

(iii) This note payable to Fred Green represents a General Investment Certificate ("GIC") advanced by Fred Green in April 2008 to assist the Company in securing a line of credit. The GIC was subsequently used by the Company to settle its line of credit. This note payable does not bear any interest and is due on demand.

The advances from Fred Green have been written off in the current year as the company does not expect to repay these advances. The Company made multiple attempts in previous years to repay these advances, but was not able to get a response and make the necessary arrangements.

9 (b) Tech Solutions

The note payable to Tech Solutions does not bear interest and is due on demand. This balance has been written off in the current year as the amount was brought forward from the amalgamation with Joule Microsystems Canada in 2009. The services related to this liability were not performed..

9 (c) Irene McKerlich

This note payable bears interest at prime and is due on demand. The amount due was settled during the current year.

9 (d) Bill Lawson

This note payable does not bear interest and is due on demand.

9 (e) R.C. Morris & Company Special Opportunities Debt Fund LP

This promissory note accrues daily interest at 0.055% and was repaid on September 30, 2016.

9 (f) R.C. Morris & Company Special Opportunities Debt Fund II LP

These promissory notes accrue daily interest at 0.055% and are payable on demand or upon a public financing event. CDN $500K of the promissory notes are secured under a General Security Agreement between the lender and Healthspace.

(Expressed in US dollars)

10. FINANCE LEASE OBLIGATIONS

The Company has leased computer hardware and software licenses under a number of finance leases. At July 31, 2016, the net carrying amount of leased computer hardware included in property and equipment is $29,905 (2015 - $17,719) and in prepaid and deposits is $49,170 (2015 - $46,335).

Lease terms range from one to three years. Interest rates underlying all obligations under capital leases are fixed at rates ranging from 15% to 41%.

Future minimum lease payments related to the obligations under the finance leases are:

2017	$	65,679
2018		9,921
2019		3,937
		79,537
Less: Imputed interest		(11,089)
Less: Current portion		(56,759)
	$	**11,689**

11. CONVERTIBLE DEBENTURES

		July 31, 2016		July 31, 2015
AMM Electrical Services Ltd.	**$**	**13,128**	$	18,229
Dan M. Sudeyko Law Corp.		**13,128**		18,229
Kelly Greene		**-**		36,458
Alex Ritchie		**-**		18,229
Solvi Fjortoft		**-**		36,458
Magnus Fjortoft		**-**		36,458
Gurpreet Singh Jaggi		**-**		145,832
Arlene Webster		**21,574**		29,959
Andrea Stiller		**5,511**		7,652
		53,341		347,504
Less: Current portion		**53,341**		(262,720)
	$	**-**	$	84,784

The convertible debentures have the following terms:

- At any time, the debenture holder may convert all or a portion of the outstanding principal into common shares at a price of $0.66 per share.
- On July 31, 2014, the Company exercised its option to defer the maturity of the convertible debentures to July 31, 2017. The Company is required to repay the accrued and unpaid principal and interest at July 31, 2014 in three equal installments on July 31, 2015, 2016 and 2017. The balance outstanding accrues interest at the rate of 7% per annum.

On August 12, 2015, the Company made offers to the debenture holders with respect to accelerated repayment options. On November 9, 2015, the Company entered into redemption agreements with certain convertible debentures holders. Convertible debentures with an outstanding principal balance of CDN $101,671 were redeemed by the Company for CDN $59,552.

The amount due to Gurpreet Singh Jaggi has been written off in the current year. The Company made many attempts but failed to contact Mr. Jaggi and therefore wrote off this liability.

12. SECURED LOANS

On November 21, 2013, Britannica received secured loans totaling CDN $1.7 million, bearing interest at a rate of 17% per annum and maturing on November 21, 2015. The secured loans were secured by way of a general security agreement against all of the Company's present and future-acquired assets. On September 30, 2014, Britannica violated the minimum cash position covenant and was in default of its secured loan agreement which resulted in the seizure of all of Britannica's present and after-acquired assets (See Note 1 Corporate Reorganizations).

On November 5, 2014, the original lenders extended a loan for CDN $1.7 million to Healthspace, bearing interest at 20% per annum and maturing on December 31, 2016 (the "Reissued Loan"). The security from the original loan has been carried over to secure the advances under the Reissued Loan. At July 31 2015, the outstanding principal balance was $1,312,267. Between November 2, 2015 and November 18, 2015, the Company repaid secured loans with an outstanding principal balance of CDN $709,918 and accrued and unpaid interest of CDN $24,606. As at July 31, 2016, the outstanding principal balance is $787,462.

13. SHARE CAPITAL

Common Shares – Authorized

Unlimited number of Class A Common Voting Shares without par value.

Common Share Purchase Warrants

During the year ended July 31, 2014, Britannica, Healthspace 2009 and Healthspace USA issued common share purchase warrants to the lenders of the secured loans (Note 12). The common share purchase warrants allowed the lenders of the secured loan to acquire up to an aggregate of 2% of the issued and outstanding common shares of each of Britannica, Healthspace 2009 and Healthspace USA. The common share purchase warrants have an exercise price of CDN $0.001 and expire on November 21, 2020.

As part of the amalgamation of Healthspace 2009 and NST (Note 1), the common share purchase warrants issued by Healthspace 2009 were cancelled and replaced by the same number of common share purchase warrants of Healthspace, with the same terms.

On July 30, 2015, the Company acquired the lender's Healthspace USA warrants for consideration of 100,000 common shares of Healthspace.

On November 12, 2015, the lenders of the secured loans exercised all of their common share purchase warrants to acquire 2% of the issued and outstanding common shares of Healthspace.

As part of the completion of several tranches of a non-brokered private placement of special warrants, the Company reserved 1,013,600 finder's warrants for issuance on receipt of its prospectus to be filed with the British Columbia Securities Commission. These finder's warrants were valued at $83,882, based on the fair value of the services received. The finder's warrants have an exercise price of CDN $0.20 and expire November 5, 2017.

The Company has also reserved 52,500 finder's warrants as part of the completion of the December 11, 2015 non-brokered private placement. These finder's warrants were valued at $2,724, based on the fair value derived from an option pricing model. The finder's warrants have an exercise price of CDN $0.20 and expire on December 11, 2017.

Financings

On April 2, 2015, the Company closed a non-brokered private placement of 3,071,667 special warrants for gross proceeds of CDN $460,750. Proceeds from the private placement were used to repay liabilities and for general working capital purposes. Each special warrant was convertible into one common share of the Company when the receipt for a prospectus filed with the British Columbia Securities Commission was received on November 5, 2015.

Between June 3, 2015 and July 28, 2015, the Company completed several tranches of a non-brokered private placement of 15,067,500 special warrants, convertible into common shares of the Company, for aggregate proceeds of CDN $3,013,500. The funds were released to the Company on receipt of its prospectus.

On December 11, 2015, the Company finalized a non-brokered private placement of 1,750,000 common shares for gross proceeds of CDN $350,000. Proceeds from the private placement have been used to fund research and development.

(Expressed in US dollars)

14. SHARE-BASED PAYMENT PLANS

Share Option Plan

The Company has adopted a rolling Share Option Plan whereby a maximum of 10% of the Company's outstanding shares are reserved for issuance as a result of the grant of share options. Share option terms issued under the Share Option Plan are at the discretion of the Company's board of directors and generally include contractual lives of 5 years and exercise prices based on the fair market value of the common shares at the grant date.

Share Options Granted

The Company granted 2,945,000 options to purchase common shares of the Company to directors, senior management, contractors and employees on March 23, 2016. Share options to directors vest over one year and expire 4.7 years after the grant date. Share options granted to senior management vest over two years and expire 4.7 years after the grant date. Share options granted to employees vest over a 2-3 year period and expire 4.9 years after the grant date. Share options granted to contractors vest immediately and expire 4.9 years after the grant date. The exercise price is based on the fair market value of the common shares at the grant date.

The following is a summary of the Company's share options outstanding as at July 31, 2016:

		Options outstanding		Options exercisable	
Range of exercise price	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
CDN $0.20	2,945,000	4.55 years	CDN $0.20	1,456,147	CDN $0.20

The weighted average grant-date fair value of the share options granted during the year ended July 31, 2016 was CDN $0.13. The fair value of the share options were estimated using the Black-Scholes option pricing model and the following weighted average inputs:

Risk free interest rate	1.38%
Expected volatility (1)	100%
Expected years of option life (2)	4.7
Expected dividends	$Nil
Share price	CDN $0.18
Exercise price	CDN $0.20

(1) Due to the limited historical published share prices available for the Company, historical volatility of similar entities was considered in determining the expected volatility.
(2) Expected years of option life includes the anticipated effects of early exercise

15. RELATED PARTY TRANSACTIONS

Transactions with Directors and Management

As at July 31, 2016, accounts payable and accrued lisbilities included $15,876 (2015 - $190,792) owing to companies controlled by directors.

For the year ended July 31, 2016, $154,522 (2015 - $448,279) in consulting and accounting fees were paid to companies controlled by directors.

Salaries and other short-term employee benefits paid to the Company's key management personnel, who have the authority and responsibility for planning, directing and controlling the activities of the Company, was $233,089 for the year ended July 31, 2016 (2015 - $91,761).

For the year ended July 31, 2016, $147,000 was paid to a company controlled by an officer of the Company for the acquisition of iGov (Note 6).

Transactions with Lenders

For the year ended July 31, 2016, $26,838 (2015 - $368,178) was advanced from a fund controlled by a director and an officer of the Company. During the year ended July 31, 2016, $158,131 of the total advanced was repaid (2015 - $86,438) and $22,933 (2015 - $276,609) of interest was paid or accrued on loans advanced by the same fund as at July 31, 2016.

(Expressed in US dollars)

17. COMMITMENTS

At July 31, 2016, the Company has lease commitments related to the purchase of computer hardware and maintenance of software licenses (Note 10).

The Company has entered into agreements for the rental of premises. The minimum future annual payments under the leases are:

Years ended July 31,	
2017	$ 59,127
2018	$ 56,762
2019	$ 58,865

18. INCOME TAXES

The Company's deferred tax assets and (liabilities) are:

		July 31, 2016		July 31, 2015
Deferred tax liabilities				
Intangible assets	**$**	**(73,425)**	$	(61,235)
Software license inventory		**(75,749)**		(55,116)
Convertible debentures		**(880)**		(6,219)
		(150,054)		(122,570)
Deferred tax assets				
Property and equipment		**223,024**		223,071
Finance lease obligations		**17,796**		32,491
Share issue costs		**97,211**		-
Tax loss carry forwards		**1,015,582**		695,327
		1,353,613		950,889
Net deferred tax assets (liabilities)		**1,203,560**		828,319
Valuation allowance		**(1,203,560)**		(828,319)
Net deferred tax assets (liabilities)	**$**	**-**	$	-

The reconciliation of the provision for income taxes is:

		Year ended July 31, 2016		Year ended July 31, 2015
Loss before income taxes	**$**	**1,346,514**	$	897,403
Combined federal and provincial statutory income tax rates		**26%**		26%
Recovery of income taxes based on combined statutory tax rate	**$**	**350,094**	$	233,325
Effect of rate in foreign jurisdictions		**(2,836)**		(5,656)
Net effect of (non-deductible) deductible items		**(103,549)**		(39,209)
Change in valuation allowance		**(255,079)**		77,246
Current year deductible amounts		**87,111**		118,952
Change in unrecognized deferred tax assets and liabilities		**255,079**		(77,246)
Effect of current period losses not recognized		**(330,821)**		(307,412)
Provision for income taxes	**$**	**-**	$	-

At July 31, 2016, the Company has unrecognized non-capital losses for income tax purposes of approximately $3.6 million that may be used to offset future taxable incomes. These non-capital losses, if not used, will expire between 2017 and 2036.

(Expressed in US dollars)

19. LOSS PER SHARE

The Company's financial instruments which could potentially dilute loss per share consist of the convertible debentures and common share purchase options and warrants. The Company's convertible debentures and common share purchase options and warrants are antidilutive for the years ended July 31, 2016 and 2015. Therefore, the Company's diluted loss per share is equal to its basic loss per share.

20. OPERATING SEGMENTS

The Company operates in one industry segment within two geographical areas, Canada and the United States of America.

		Canada		United States of America		Total
For the year ended July 31, 2016						
External subscription revenues	**$**	**459,914**	**$**	**1,272,304**	**$**	**1,732,218**
External contract and implementation revenues		**5,008**		**201,485**		**206,493**
As at July 31, 2016						
Non-current assets						
Property and equipment	$	**48,458**	**$**	**7,131**	**$**	**55,588**
Intangible asset		**513,383**		**-**		**513,383**
Software license inventory		**291,343**		**-**		**291,343**
Goodwill		**1,843,926**		**-**		**1,843,926**
For the year ended July 31, 2015						
External subscription revenues	$	498,783	$	1,279,412	$	1,778,195
External contract and implementation revenues		3,621		78,625		82,246
As at July 31, 2015						
Non-current assets						
Property and equipment	$	36,243	$	9,641	$	45,884
Intangible assets		527,673		-		527,673
Software license inventory		290,051		-		290,051
Goodwill		1,835,750		-		1,835,750

For the year ended July 31, 2016, revenues from two major customers in the United States of America represented approximately $737,200 (2015 - $737,137) of the Company's total revenues (Note 22, credit risk).

21. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and sale of information and communication management systems, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company considers its capital for this purpose to be its shareholders' equity.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

22. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and other market risk.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through large Canadian financial institutions. The Company considers credit risk on its cash to be minimal.

The Company's receivables consist of Goods and Services Tax and scientific research tax credits due from the Federal Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at July 31, 2016 is $369,925 (2015 - $289,982), representing accounts receivable and other receivables.

The Company considers credit risk on its receivables from the Federal Government of Canada to be minimal.

For amounts due from customers, the Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required. When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at July 31, 2016, $185,476 of customer receivables are past due but not impaired (2015 - $21,078).

The majority of the Company's customer receivables are due from customers in the United States of America. As at July 31, 2016, the Company's largest customer accounted for $156,883 of accounts receivable (2015 - $81,923).

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk from its secured loans, convertible debentures and notes payable. The risk that the Company will realize a loss as a result of an increase of 1% in the prime interest rate is minimal as the majority of the Company's borrowings are at a fixed rate.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 21. Accounts payable and accrued liabilities, notes payable, secured loans and other liabilities are all due within the current operating period. Finance lease obligations are due based on the terms disclosed in Note 10. Convertible debentures are due based on the terms disclosed in Note 11.

Other Market Risk

Other market risk that the Company is exposed to includes currency risk. Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company is not exposed to significant currency risk as the parent entity and subsidiaries primarily transact in their functional currencies. The Company does not invest in derivatives to mitigate these risks.

23. EVENTS AFTER THE REPORTING PERIOD

On September 30th, 2016, the Company closed its previously announced offering of CDN $1,500,000 in secured convertible debentures and CDN $1,495,352 in equity offering for 29,907,040 units, with each unit comprised of one common share and one half of one share purchase warrant. The proceeds of the financing was used by the Company to retire a CDN $2,185,000 debt facility and for general working capital purposes. As part of this financing, the Company also paid cash commissions of CDN $33,337, issued 2,000,000 common shares and 516,740 share purchase warrants entitling the holder to purchase common shares for CDN $0.075 per share for twelve months.

On the same date, the Company also issued 1,156,666 shares, at a price of CDN $0.06 per share, for the settlement of $69,400 in debt to three creditors for services provided to the Company.

23. EVENTS AFTER THE REPORTING PERIOD (Continued)

On October 28th, 2016, the Company issued 7,300,000 units, with each unit comprised of one common share and one half of one share purchase warrant (each share purchase warrant entitling the holder to purchase one common share for CDN $0.075 for twelve months), for gross proceeds of CDN $365,000. The proceeds of the financing is used for general working capital purposes. As part of this financing, the Company also paid cash commissions of CDN $77,387 and issued 511,000 share purchase warrants entitling the holder to purchase common shares for CDN $0.075 per share for twelve months