

HEALTHSPACE DATA SYSTEMS LTD.

Condensed Combined Interim Financial Statements
(Unaudited)

For the three months ended October 31, 2016
(Expressed in US dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed combined interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

HEALTHSPACE DATA SYSTEMS LTD.
Condensed Combined Interim Statements of Financial Position
As at October 31, 2016
Unaudited (Expressed in US dollars)

	October 31, 2016	July 31, 2016
ASSETS		
Current Assets		
Cash	\$ 247,191	\$ 348,484
Accounts receivable	290,628	245,933
Prepaid and deposits	181,430	132,686
Other receivables	61,390	123,992
Total Current Assets	780,639	851,095
Goodwill (Note 3)	1,794,149	1,843,926
Property and Equipment (Note 4)	50,747	55,588
Intangible Assets (Note 5)	499,834	513,383
Software License Inventory (Note 6)	283,478	291,343
TOTAL ASSETS	3,408,847	3,555,335
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	703,377	881,230
Deferred revenue (Note 7)	442,563	569,441
Notes payable (Note 8 and 14)	19,186	857,656
Current portion of finance lease obligations (Note 9)	27,575	56,759
Current portion of convertible debentures (Note 10)	53,178	53,341
Current portion of secured loans (Note 11)	-	787,462
Other liabilities	17,034	17,507
Total Current Liabilities	1,262,913	3,223,396
Finance Lease Obligations (Note 9)	9,369	11,689
Convertible Debentures (Note 10)	1,119,150	-
TOTAL LIABILITIES	2,391,432	3,235,085
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	3,959,737	2,673,317
Warrant reserve (Note 13)	104,824	87,029
Option reserve (Note 13)	184,405	189,522
Foreign currency translation adjustment	55,941	(26,047)
Deficit	(3,287,492)	(2,603,571)
TOTAL SHAREHOLDERS' EQUITY	1,017,415	320,250
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 3,408,847	\$ 3,555,335

Subsequent events (Note 13)

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

Approved on behalf of the Board of Directors

_____ Director

_____ Director

HEALTHSPACE DATA SYSTEMS LTD.

Condensed Combined Interim Statements of Loss and Comprehensive Loss

For the three months ended October 31, 2016 and 2015

Unaudited (Expressed in US dollars)

	October 31, 2016	October 31, 2015
REVENUE		
Subscriptions	\$ 461,928	\$ 459,744
Contract and implementation	27,048	74,340
Total Revenue	488,976	534,084
OPERATING EXPENSES		
Amortization	42,436	9,117
Amortization – software licenses	27,131	33,310
Advertising and promotion	51,695	4,004
Consulting fees (Note 14)	463,098	73,089
Dues and subscriptions	4,335	11,532
Filing fees	2,206	2,990
Insurance	33,035	18,581
Meals and entertainment	4,803	4,613
Office expenses	12,608	6,384
Professional fees (Note 14)	100,671	53,918
Rent	15,900	15,503
Salaries and wages (Note 14)	262,324	226,493
Hosting and telecommunication	75,204	96,368
Travel and transportation	14,627	45,732
Utilities	1,411	1,368
Total Operating Expenses	1,111,484	603,002
LOSS FROM OPERATIONS	(622,508)	(68,918)
OTHER INCOME (EXPENSES)		
Interest and finance costs (Note 14)	(59,323)	(149,049)
SR&ED recovery	-	11,759
Foreign exchange gain	(2,302)	26,408
Other revenue	212	-
NET LOSS	(683,921)	(179,800)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified to profit and loss		
Foreign currency translation adjustment	2,357	(26,288)
COMPREHENSIVE LOSS	\$ (681,564)	\$ (206,088)
BASIC AND DILUTED LOSS PER SHARE (Note 16)	\$ (0.011)	\$ (0.006)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	62,138,118	29,358,679

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

HEALTHSPACE DATA SYSTEMS LTD.

Condensed Combined Interim Statements of Changes in Shareholders' Equity

For the three months ended October 31, 2016 and 2015

Unaudited (Expressed in US dollars)

	Share capital		Share subscriptions	Warrant Reserve	Option Reserve	Foreign currency translation adjustment	Deficit	Total
	Number of Shares	Amount						
Balances, August 1, 2015	47,495,717	\$ 381,056	\$ 1,990,657	\$ 92,454	\$ -	\$ 58,801	\$ (1,257,057)	\$ 1,265,911
Shares to be issued	-	34,613	-	-	-	-	-	34,613
Foreign currency translation adjustment recognized directly in equity	-	2,721	3,651	170	-	(6,542)	-	-
Other comprehensive (loss)	-	-	-	-	-	(26,288)	-	(26,288)
Net loss	-	-	-	-	-	-	(179,800)	(179,800)
Balances, October 31, 2015	47,495,717	\$ 418,390	\$ 1,994,308	\$ 92,624	\$ -	\$ 25,971	\$ (1,436,857)	\$ 1,094,436
Balances, July 31, 2016	50,419,232	\$ 2,673,317	\$ -	\$ 87,029	\$ 189,522	\$ (26,047)	\$ (2,603,571)	\$ 320,250
Shares issued in private placement	37,207,040	1,388,009	-	-	-	-	-	1,388,009
Shares issued as share issue costs	2,000,000	-	-	-	-	-	-	-
Warrants issued to finders	-	(20,144)	-	20,144	-	-	-	-
Cash share issue costs	-	(61,059)	-	-	-	-	-	(61,059)
Shares issued for debt	1,156,666	51,779	-	-	-	-	-	51,779
Foreign currency translation adjustment recognized directly in equity	-	(72,165)	-	(2,349)	(5,117)	79,631	-	-
Other comprehensive income	-	-	-	-	-	2,357	-	2,357
Net loss	-	-	-	-	-	-	(683,921)	(683,921)
Balances, October 31, 2016	90,782,938	\$ 3,959,737	\$ -	\$ 104,824	\$ 184,405	\$ 55,941	\$ (3,287,492)	\$ 1,017,415

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

HEALTHSPACE DATA SYSTEMS LTD.

Condensed Combined Interim Statements of Cash Flows

For the three months ended October 31, 2016 and 2015

Unaudited (Expressed in US dollars)

	October 31, 2016	October 31, 2015
OPERATING ACTIVITIES		
Net loss	\$ (683,921)	\$ (179,800)
Adjustments for:		
Amortization of property and equipment and intangible assets	42,436	9,117
Amortization of software licenses	27,131	33,310
Interest	10,166	114,755
	(604,188)	(22,617)
Net changes in non-cash working capital items		
(Decrease) increase in accounts payable	45,235	121,415
(Increase) decrease in accounts receivable	67,620	(86,530)
Decrease (increase) in other receivables	(50,084)	(11,759)
Increase in deferred revenue	(124,395)	38,902
(Increase) decrease in prepaid and deposits	(53,346)	(68,305)
	(719,158)	(81,333)
Interest paid	(111,228)	(114,424)
	(830,386)	(218,374)
INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(8,001)
Acquisition of intangible assets	(38,626)	(75,056)
	(38,626)	(83,058)
FINANCING ACTIVITIES		
Payments on finance lease obligations	(59,440)	(31,303)
Payments on debt	(1,666,063)	-
Proceeds from issuance of convertible debenture	1,143,750	140,568
Repayments of convertible debentures	-	(149,106)
Proceeds from issuance of shares, net of issue costs	1,358,585	36,396
	776,832	(3,446)
Cash decrease	(92,180)	(229,821)
Effects of movements in exchange rates on cash	(9,113)	(27,705)
CASH, beginning of period	348,484	2,577,333
CASH, end of period	\$ 247,191	\$ 2,319,807
CASH IS COMPOSED OF:		
Cash	\$ 247,191	\$ 15,082
Restricted cash	-	2,304,725
	\$ 247,191	\$ 2,319,807

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

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2016

Unaudited (Expressed in US dollars)

1. CORPORATE INFORMATION AND CONTINUANCE 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 condensed combined interim financial statements for the three months ended October 31, 2016 include the financial information of Healthspace and its wholly owned subsidiary HealthSpace USA Inc.

The comparative financial statements for the three months ended October 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 three months ended October 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 condensed combined interim 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. 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.

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2016

Unaudited (Expressed in US dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (continued)

Going Concern

As at October 31, 2016 the Company had a working capital deficiency of \$482,274 (July 31, 2016 - deficiency of \$2,372,301) 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 condensed combined interim 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 condensed combined interim 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 AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance to IFRS

The Company prepared these condensed combined interim 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 condensed combined interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* ("IAS 34"), using accounting policies which are consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual financial statements in compliance with IAS 1 *Presentation of Financial Statements* ("IAS 1").

Except as noted below, these condensed combined interim financial statements follow the same accounting policies and methods of application as the most recent annual audited combined financial statements for the year ended July 31, 2016 and should be read in conjunction with those audited combined financial statements. These condensed combined interim financial statements were approved by the Board of Directors and authorized for issue on December 23, 2016.

Basis of Measurement

These condensed combined interim 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.

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 combined statement of loss.

The Company has selected the US dollar as the presentation currency of these condensed combined interim 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.

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2016

Unaudited (Expressed in US dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign exchange rates used for currency translation in these condensed combined interim financial statements include:

Period end dates	US to CDN	CDN to US
July 31, 2016	1.3041	0.7668
October 31, 2016	1.3403	0.7461

Presentation and Functional Currencies (continued)

Period averages	US to CDN	CDN to US
Three months ended October 31, 2015	1.3075	0.7634
Three months ended October 31, 2016	1.3114	0.7625

Recent Accounting Pronouncements

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

3. 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, 2015	\$	1,835,750
Effect of movement in exchange rates		8,176
Goodwill, July 31, 2016	\$	1,843,926
Effect of movement in exchange rates		(49,777)
Goodwill, October 31, 2016	\$	1,794,149

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

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2016

Unaudited (Expressed in US dollars)

4. PROPERTY AND EQUIPMENT

	Computer Hardware (\$)	Furniture and Equipment (\$)	Leasehold Improvements (\$)	Total (\$)
COST				
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
Additions	-	-	-	-
Effect of movement in exchange rates	(1,021)	-	(11)	(1,032)
Balance, October 31, 2016	93,888	4,229	485	98,602
ACCUMULATED AMORTIZATION				
Balances, July 31, 2015	26,775	1,316	496	28,587
Amortization	14,598	539	-	15,137
Effect of movement in exchange rates	322	-	-	322
Balance, July 31, 2016	41,695	1,855	496	44,046
Amortization	4,007	119	-	4,126
Effect of movement in exchange rates	(306)	-	(11)	(317)
Balance, October 31, 2016	45,396	1,974	485	47,855
NET BOOK VALUE				
Balance, July 31, 2015	42,971	2,913	-	45,884
Balance, July 31, 2016	53,214	2,374	-	55,588
Balance, October 31, 2016	48,492	2,255	-	50,747

5. INTANGIBLE ASSETS

	Unpatented technology (\$)	Customer relationships and contracts (\$)	Inspection application (6a) (\$)	Customizable Application (6b) (\$)	Total (\$)
COST					
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	539	136	2,805	1,031	4,511
Balance, July 31, 2016	121,739	30,718	470,180	57,262	679,899
Additions from acquisitions	-	-	1,287	-	1,287
Additions from internal development	-	-	-	37,340	37,340
Effect of movements in exchange rates	(3,286)	(829)	(12,720)	(2,349)	(19,184)
Balance, October 31, 2016	118,453	29,889	458,747	92,253	699,342
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
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	18	2,461
Balance, July 31, 2016	54,588	8,265	102,709	955	166,517
Amortization	5,043	764	30,146	2,357	38,310
Effect of movements in exchange rates	(1,582)	(240)	(3,421)	(76)	(5,319)
Balance, October 31, 2016	58,049	8,789	129,434	3,236	199,508
NET BOOK VALUE					
Balance, July 31, 2015	87,054	25,412	415,207	-	527,673
Balance, July 31, 2016	67,151	22,453	367,471	56,308	513,383
Balance, October 31, 2016	60,404	21,100	329,313	89,017	499,834

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2016

Unaudited (Expressed in US dollars)

5. INTANGIBLE ASSETS (Continued)

The amortization of unpatented technology and customer relationships and contracts is included in "Amortization" in the combined statement of loss.

5 (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 October 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

5 (b) Customizable application

Customizable application consists of internally developed software for which the Company capitalized \$37,340 during the three months ended October 31, 2016 (2015 – Nil).

6. SOFTWARE LICENSE INVENTORY

COST	Licenses (\$)
Balance, July 31, 2015	290,051
Effect of movements in exchange rates	1,292
Balance, July 31, 2016	291,343
Effect of movements in exchange rates	(7,865)
Balance, October 31, 2016	283,478
ACCUMULATED AMORTIZATION AND IMPAIRMENT	
Balance, July 31, 2015	-
Balance, July 31, 2016	-
Balance, October 31, 2016	-
NET BOOK VALUE	
Balance, July 31, 2015	290,051
Balance, July 31, 2016	291,343
Balance, October 31, 2016	283,478

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.

7. DEFERRED REVENUE

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

	October 31, 2016		July 31, 2016	
Wisconsin Department of Health	\$	168,177	\$	232,112
Other		274,386		337,329
Total	\$	442,563	\$	569,441

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2016

Unaudited (Expressed in US dollars)

8. NOTES PAYABLE

	October 31, 2016	July 31, 2016
Bill Lawson - Note 8 (a)	\$ 19,186	\$ 19,718
R.C. Morris & Company Special Opportunities Debt Fund I LP – Note – 8 (b)	-	71,936
R.C. Morris & Company Special Opportunities Debt Fund II LP – Note – 8 (c)	-	763,724
Other	-	2,278
Total	\$ 19,186	\$ 857,656

8 (a) Bill Lawson

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

8 (b) R.C. Morris & Company Special Opportunities Debt Fund LP

This promissory note was repaid on September 30, 2016.

8 (c) R.C. Morris & Company Special Opportunities Debt Fund II LP

These promissory notes were repaid on September 30, 2016.

9. FINANCE LEASE OBLIGATIONS

The Company has leased computer hardware and software licenses under a number of finance leases. At October 31, 2016, the net carrying amount of leased computer hardware included in property and equipment is \$16,848 (July 31, 2016 - \$29,905) and in prepaid and deposits is \$17,698 (July 31, 2016 - \$49,170).

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	\$ 30,870
2018	7,010
2019	3,830
	41,710
Less: Imputed interest	(4,766)
Less: Current portion	(27,575)
	\$ 9,369

10. CONVERTIBLE DEBENTURES

	October 31, 2016	July 31, 2016
AMM Electrical Services Ltd. – Note 10(a)	\$ 13,087	\$ 13,128
Dan M. Sudeyko Law Corp. – Note 10(a)	13,087	13,128
Arlene Webster – Note 10(a)	21,509	21,574
Andrea Stiller – Note 10(a)	5,495	5,511
Various – Note 10(b)	1,119,150	-
	1,172,328	53,341
Less: Current portion	53,178	53,341
	\$ 1,119,150	\$ -

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2016

Unaudited (Expressed in US dollars)

10. CONVERTIBLE DEBENTURES (continued)

10 (a)

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.

10 (b)

The secured convertible debenture is with seven entities and has the following terms:

- At any time before September 29, 2018 the holder may convert all or a portion of the outstanding principal into common shares at a price of \$0.075 per share if converted before September 29, 2017 and at \$0.10 if converted after September 29, 2017.
- After September 29, 2017 the Company may redeem and prepay all or a part of the principal amount with a penalty to assessed as to the amount of interest remaining from the date of the redemption to be converted to commons shares based on a conversion rate that would provide for a 15% discount of the volume weighted average price on closing of the preceding 20 trading days of the common shares.
- Interest is accrued on the principal amount of the debenture at a rate of 10% per annum, calculated and payable monthly on the first day of each month until September 29, 2018.

As at October 31, 2016 the principal balance of the debenture is CDN\$1,500,000.

11. 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).

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 was \$787,462.

During the three months ended October 31, 2016 the secured loan and accrued interest was repaid in full.

12. SHARE CAPITAL

Common Shares – Authorized

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

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12. SHARE CAPITAL (continued)

Financings during the three months ended October 31, 2016

On September 30th, 2016, the Company closed first tranche of the equity offering and issued 29,907,040 units, with each unit composed 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 \$1,595,352. On October 28th, 2016, the Company closed second tranche of the equity offering and issued 7,300,000 units, with each unit composed 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. As part of this financing, the Company paid cash share issue costs of CDN \$81,837, issued 2,000,000 common shares and issued 971,740 share purchase warrants to the finders entitling the holder to purchase common shares for CDN \$0.075 per share for twelve months.

On October 17, 2016 the Company also issued 1,156,666 shares, at a price of CDN\$0.06 per share, for the settlement of CDN\$69,400 in debt to three creditors for services provided to the Company.

Financings during the year ended July 31, 2016

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.

13. 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 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 October 31, 2016:

Range of exercise price	Number of common shares	Options outstanding		Options exercisable	
		Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
CDN \$0.20	2,930,000	4.08 years	CDN \$0.20	1,795,000	CDN \$0.20

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13. SHARE-BASED PAYMENT PLANS (continued)

The following is a continuity of the stock options as at October 31, 2016:

	Period ended October 31, 2016		Year ended July 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	2,945,000	\$ 0.20	-	\$ -
Expired	-	\$ -	-	\$ -
Granted	-	\$ -	3,395,000	\$ 0.20
Cancelled	(15,000)	\$ 0.20	(450,000)	\$ 0.20
Balance, end of period	2,930,000	\$ 0.20	2,945,000	\$ 0.20
Exercisable, end of period	1,795,000	\$ 0.20	1,456,147	\$ 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

Subsequent to the period ended October 31, 2016, on November 24, 2016 the Company granted 3,450,000 stock options to purchase common shares of the Company to directors, senior management, contractors and employees. Share options are exercisable at CDN\$0.08, vest over one year and expire 5 years after the grant date.

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. 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.

HEALTHSPACE DATA SYSTEMS LTD.

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13. SHARE-BASED PAYMENT PLANS (continued)

Warrants Granted

The following is a continuity of the warrants as at October 31, 2016:

	Period ended October 31, 2016		Year ended July 31, 2016	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	1,066,100	\$ 0.20	100,000	\$ 0.001
Expired	-	\$ -	-	-
Exercised			(100,000)	\$ 0.001
Granted	19,575,260	\$ 0.075	1,066,100	\$ 0.20
Cancelled	-	\$ -	-	\$ -
Balance, end of period	20,641,360	\$ 0.08	1,066,100	\$ 0.20
Exercisable, end of period	20,641,360	\$ 0.08	1,066,100	\$ 0.20

The fair value of the warrants granted to finders were estimated using the Black-Scholes option pricing model and the following weighted average inputs:

	Granted on September 29, 2016	Granted on October 28, 2016
Risk free interest rate	0.59%	0.66%
Expected volatility	126%	128%
Expected years of warrants life	1	1
Expected dividends	\$Nil	\$Nil
Share price	CDN \$0.06	CDN \$0.07
Exercise price	CDN \$0.075	CDN \$0.075

The weighted average remaining life of the warrants outstanding as at October 31, 2016 is 0.93 years.

Subsequent to the period ended October 31, 2016 1,000,000 warrants were exercised at CAD\$0.075.

14. RELATED PARTY TRANSACTIONS

Transactions with Directors and Management

As at October 31, 2016, accounts payable and accrued liabilities included \$5,250 (July 31, 2016 - \$15,876) owing to companies controlled by directors.

For the three months ended October 31, 2016, \$262,664 (2015 - \$119,230) 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 \$37,444 for the three months ended October 31, 2016 (2015 - \$31,637).

Transactions with Lenders

For the three months ended October 31, 2016, \$nil (2015 - \$141,448) was advanced from a fund controlled by a director and an officer of the Company. During the three months ended October 31, 2016, CDN\$2,185,000 of the total advanced was repaid (2015 - \$75,074) and \$41,537 (2015 - \$29,413) of interest was paid on loans advanced by the same fund as at October 31, 2016.

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15. COMMITMENTS

At October 31, 2016, the Company has lease commitments related to the purchase of computer hardware and maintenance of software licenses (Note 9).

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	\$	39,888
2018	\$	55,230
2019	\$	57,276

16. 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 three months ended October 31, 2016 and 2015. Therefore, the Company's diluted loss per share is equal to its basic loss per share.

17. 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 three months ended October 31, 2016			
External subscription revenues	\$ 112,139	\$ 349,789	\$ 496,857
External contract and implementation revenues	-	27,048	27,048
As at October 31, 2016			
<i>Non-current assets</i>			
Property and equipment	\$ 44,803	\$ 5,944	\$ 50,747
Intangible asset	499,834	-	499,834
Software license inventory	283,478	-	283,478
Goodwill	1,794,149	-	1,794,149
For the three months ended October 31, 2015			
External subscription revenues	\$ 113,449	\$ 346,296	\$ 459,745
External contract and implementation revenues	-	74,340	74,340
As at July 31, 2016			
<i>Non-current assets</i>			
Property and equipment	\$ 48,458	\$ 7,130	\$ 55,588
Intangible assets	513,383	-	513,383
Software license inventory	291,343	-	291,343
Goodwill	1,843,926	-	1,843,926

For the three months ended October 31, 2016, revenues from two major customers in the United States of America represented approximately \$178,935 (2015 - \$278,196) of the Company's total revenues (Note 20, credit risk).

18. 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.

HEALTHSPACE DATA SYSTEMS LTD.

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18. MANAGEMENT OF CAPITAL (continued)

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.

19. 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 October 31, 2016 is \$352,018 (July 31, 2016 - \$369,925), 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 October 31, 2016, \$231,315 of customer receivables are past due but not impaired (July 31, 2016 - \$185,476).

The majority of the Company's customer receivables are due from customers in the United States of America. As at October 31, 2016, the Company's largest customer accounted for \$90,022 of accounts receivable (July 31, 2016 - \$156,883).

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 18. 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 9. Convertible debentures are due based on the terms disclosed in Note 10.

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.