HEALTHSPACE DATA SYSTEMS LTD.
(formerly HealthSpace Informatics Ltd.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JANUARY 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of HealthSpace Data Systems Ltd.'s ("HealthSpace" or the "Company") (formerly "HealthSpace Informatics Ltd.") operating and financial results for the six months ended January 31, 2017, as well as information and expectations concerning the Company's outlook based on currently available information. This report is dated March 30, 2017.

This MD&A should be read in conjunction with the Company's condensed combined interim financial statements for the six months ended January 31, 2017. Additional information is available at www.sedar.com.

Management is responsible for the preparation and integrity of the condensed combined interim financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the condensed combined interim financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management no less than quarterly to review the financial statements and the MD&A and to discuss otherfinancial, operating and internal control matters.

CAUTION REGARDING FORWARD-LOOKINGINFORMATION

This MD&A contains forward-looking information including the Company's future plans. The use of any of the words "target", "plans", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such forward looking information, including but not limited to statements pertaining to Company's future plans and management's belief as to the Company's potential involve known and unknown risks, uncertainties and other factors which may cause the actual results of the Company and its operations to be materially different from estimated costs or results expressed or implied by such forward-looking statements. Forward looking information is based on management's expectations regarding future growth, results of operations, future capital and other expenditures (including the amount, nature and sources of funding for such expenditures), business prospects and opportunities. Forward looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the risks associated with the commercial viability of any technologies the Company is in the process of developing or deploying, delays or changes in plans with respect to any technologies, costs and expenses, the risk of foreign exchange rate fluctuations, risks associated with securing the necessary regulatory approvals and financing to proceed with any planned business venture, product development or deployment, and risks and uncertainties regarding the potential to economically scale and bring to profitability any of the Company's current or planned endeavors. Although the Company has attempted to take into account important factors that could cause actual costs or results to differ materially, there may be other factors that cause the results of the Company's business to not to be as anticipated, estimated or intended.

There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. See the Risk Management section of this MD&A for a further description of these risks. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. Accordingly, readers should not place undue reliance on forward-lookinginformation.

1. SUMMARY OF OPERATIONS, EVENTS AND FUTURE PLANS

HealthSpace is an Enterprise Software-as-a-Service (SaaS) industry leader providing inspection, information and communication management systems for federal, state, county and municipal governments. Over the last decade the Company has successfully developed both enterprise cloud and mobile internet-based applications currently serving over 300 state and local government organizations across North America. Clients range in size from small county organizations to state-wide systems with over 910 concurrent users, as well as national programs. HealthSpace specializes in the field of developing, installing, and maintaining inspection and regulatory management systems for environmental and public health organizations.

HealthSpace 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.

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.

Restructuring Events

On September 10, 2013, Britannica HealthSpace Holdings Ltd. ("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. On November 21, 2013, Britannica obtained control of HealthSpace 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's non-offering prospectus was receipted by the British Columbia Securities Exchange on November 5, 2015. As a result of the prospectus being receipted, 18,139,167 special warrants were converted to the same number of common shares of the Company.

Effective November 5, 2015, the Company changed its name to HealthSpace Data Systems Ltd., pursuant to the Articles of the Company and as approved by the board of directors.

Development of the Company's Business

HealthSpace's goal is to be a leader in the development, sale and maintenance of sophisticated information management systems that not only collect and store data, but seek to make available, as a value added service, collected data to organizations for the purpose of improving productivity, quality control performance analysis.

There are three main keys to success in the regulatory information management sector:

1. Systems specifically designed to meet the individual requirements of each customer.
2. Scalable reliable systems that are easy to install and use.
3. Past reputation, experience and scale.

There is strong public interest in the protection of food, water and the environment. Health and various other regulatory authorities are motivated to improve their effectiveness through the proper use of information. There are a large number of organizations in North America who are currently inspecting and regulating elements of public health and safety. Many do not have effective and cost efficient information management systems, and the cost of developing custom-built systems is prohibited. Therefore, there is a growing market for economical COTS systems across North America and in Western Europe.

The Company intends to increase its current business footprint and expand to other areas of regulatory surveillance. The Company will also pursue additional revenue sources, such as data processing and packaging for its clients. This data is expected to be provided as a quality control and operational management service to current and new health protection organizations and others such as large restaurant chains. To accomplish this HealthSpace will do the following:

1. Expand the footprint in existing market by deploying mobile application for iOS, Windows and Android devices.
2. Look for strategic opportunities to increase its current market share within the public health and safety sector by acquiring competitors.
3. Use a combination of social media, online marketing and traditional media to increase the awareness of HealthSpace among its key constituents.
4. Gain additional revenue sources such as processing and packaging data and moving into other symbiotic regulatory markets such as water safety and cannabis regulation.
5. Use technological advances to reduce the overall cost of client acquisition and management.
6. Use research collaboration and licensing to market new technology into other sectors.

Technology and Infrastructure

EnviroIntel EHS Manager

The HealthSpace EnviroIntel EHS Manager (the "**EHS**") is an internet-based Windows application that can run on desktop, laptop and tablet computers. Users can access the system through a web browser to fill out forms, request information and view data including real-time reports.

The software enables seamless full system functionality whether connected to the internet or not. The mobile version of the system can operate on Windows 10 tablets such as the Surface Pro. Users are able to work offline on a local copy of the database whether connected or disconnected to the Internet. The system replicates with the system server periodically as set by the system administrator or when the user's machine re-establishes a connection. Databases and communication streams are 256-bit encrypted limiting security risks with transmission.

The system supports function based security, where a user can be granted any combination of functions such as read only, create only, update only, no deletes, all functions based on their specific operational needs. These features are managed via a Registration Center (a separate database) which processes requests for access level changes based on a previously determined Security Roles matrix, accessibility and restrictions are tied to the users identification file and can only be changed by the Department system administrator. Complete audit trails of changes to these roles and assigned levels are maintained and available to the system administrator. Specifics relating to the business processes and practices for the health departments are determined during the configuration/implementation phases.

The system is capable of restricting an individual user to accessing data for a specific service type, data for a single region or a group or regions, or allowed access to all operational data, depending on the access controls established by the Department.

The HS System is composed of two primary components: the application for capturing and managing data, and a 'back-end' server application for data warehousing and reporting.

HS Touch

HealthSpace has acquired technology related to an iOS and Android-based inspection application pursuant to an Asset Purchase Agreement dated May 1, 2015 between the Company and iGov Inc. The Company has subsequently launched the HS Touch inspection app based on this technology, publishing the iOS version in the Apple App Store on June 14, 2015. The App is specifically designed for data collection in the field and can work either connected to or disconnected from the internet and provides health inspectors an easy to use touch screen experience when recording observations is the field. Calendars, past inspections, food codes and violations can be downloaded from the main system in addition to uploading newly created infection reports. The App also provides the ability electronically capture signatures and insert photos and email inspection reports. HS Touch can used in conjunction with both HealthSpace EHS and HS Cloud systems as well as with any other data management system.

HS Cloud

The HSCloud product is a full enterprise software system for permitting and inspection data, specifically designed for use by health departments. The HSCloud is 100% browser based and can be turned on and immediately implemented for a customer. The HSCloud was also designed with tools that allow the customer to configure all aspects of the system as needed for their own unique business requirements. These configurations include setting programs, permit types, violation libraries, field types, printed output and even the ability to add new screens/tables to the system structure. This software is a different direction than the legacy product, and being cloud based allows for quick and easy implementations, and better flexibility for the customers. HS Cloud was released for sale in the second quarter of fiscal 2016-2017 with an significant update to be released in the third quarter.

Research and Development

The Company is currently engaged in research and development activities in the follow areas:

Infrastructure

The Company is investing considerable ongoing resources to upgrade its server and network infrastructure to ensure that the security, performance and to reduce ongoing system operating costs while staying current and compliant in a rapidly changing technology environment.

Mobile devices

Mobile data collection is fast becoming the preferred way to record observations and to write and generate reports in the field. As there is no dominant platform emerging, development has centered on software applications that are agnostic to any specific type of hardware. A key emphasis has been placed on developing user interfaces that work well and are easy to use on both larger tablets and smaller smart phones. The objective is to provide applications that can run on current infrastructure or under "bring your own device to work" programs, substantially reducing a customer's hardware investment costs when deploying the Company's products.

Web portals

HealthSpace is developing sophisticated public facing web sites for use by its client organizations. These portals provide the pubic the ability to view inspections, find restaurants, lodge complaints and download other information related to the environment and health protection. Facility operators are now able to apply for services, download inspection reports and permits, review the status of applications and pay fees. The result of this continuing development is that organizations can provide much faster service to their stakeholders at reduced costs. Public exposure for the client organization through the public facing portals greatly enhances their ability to inform and provide public safety.

Informatics

HealthSpace has begun work on providing analysis tools for health departments to evaluate the effectiveness of programs, reducing risk and providing predictive analysis of threats before they can occur.

Other markets

HealthSpace is a private sector collaborator with a consortium of other private sector entities, government organizations and universities looking at technology related to the management and monitoring of safe drinking water systems and cannabis regulation.

Intellectual Property

Intellectual property with respect to SaaS operations is managed through the non-disclosure of software source code and application know-how. EHS and HS Cloud database designs and functions are proprietary, however, the operating platforms are commercially available.

For additional, important information related to our intellectual property, please review the information set forth in "Business Risk Factors."

(Expressed in US dollars)

2. ACQUISITIONS

Acquisition of iGov Inc.

On December 1, 2014, HealthSpace entered into a letter of intent to acquire 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 became 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 January 31, 2017
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

3. SELECTED ANNUAL INFORMATION

The following table provides a summary of the Company's financial operations for the three most recently completed fiscal years. For more detailed information pertaining to the Company, please see HealthSpace's annual audited combined financial statements for the years ended July 31, 2016, 2015 and 2014.

Year ended July 31,		2016		2015		2014
Revenue	$	1,938,711	$	1,860,441	$	1,864,702
Operating expenses		3,279,063		2,477,104		2,276,478
Other income (expenses)		(6,162)		(280,740)		(180,889)
Net loss		(1,346,514)		(897,403)		(592,665)
Loss per share, basic and fully diluted		(0.03)		(0.03)		(0.04)
Operating cash		348,484		276,885		54,690
Working capital deficiency		(2,372,301)		(170,488)		(2,974,609)
Total assets		3,555,335		5,666,526		3,454,787
Total long-term liabilities		11,689		1,262,959		193,373
Shareholders' equity (deficiency)		320,250		1,265,911		(379,763)

The Company presently does not pay and does not anticipate paying any dividends on its common shares, as all available funds will be used to develop the Company's business for the foreseeable future.

4. DISCUSSION OF OPERATIONS

Following is a discussion of the Company's condensed combined interim financial results for the three and six months ended January 31, 2017, compared to the same periods in the prior fiscal year. The condensed combined interim financial statements of the Company for the six months ended January 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All inter-company balances and transactions have been eliminated upon consolidation in these condensed combined interim financial statements.

Revenue

	Six months Ended January 31		Variance from 2016 to 2017	
	2017	2016	$	%
Subscriptions	$ 986,899	$ 914,968	71,931	8%
Contract and Implementation	41,048	114,594	(73,546)	-64%
Total	$ 1,027,947	$ 1,029,562	(1,615)	0%

During the six months ended January 31, 2017, consolidated revenues were $1,027,947 which is approximately the same as the revenue of $1,029,562 during six months ended January 31, 2016. During the six months ended January 31, 2017, the decrease of $73,546 of subscription revenue was mainly due to the change in loss of accounts offset by acquisition of new customers. The increase of contract and implementation revenue of $124,247 is primarily due to the implementation fees charged to Tennessee Department of Agriculture, a newly acquired customer in fiscal 2016. The contract implementation revenue decreased mainly due to the Company maintaining the same customer base as in the same period of the prior year.

Revenues and Direct Costs

	Six months Ended January 31		Variance from 2016 to 2017	
	2017	2016	$	%
Revenues	$ 1,027,947	$ 1,029,562	(1,615)	0%
Direct Costs				
Amortization – Software licenses	60,423	59,032	1,391	2%
Hosting and data (1)	116,420	114,355	2,065	2%
Net	$ 851,104	$ 856,175	(5,071)	-1%

(1) Hosting and data charges are combined in the condensed combined interim statement of loss and comprehensive loss as "Hosting and telecommunication" for presentation purposes.

The revenues over direct costs for the six months ended January 31, 2017 are approximately the same as for the comparative period. Direct costs on sales licenses vary depending on exchange rates on cost of revenue expenses denominated in US dollars, data usage from hosting providers, and license maintenance fees to IBM.

Revenues by Geographic region

		Six months ended January 31		Variance from 2016 to 2017	
		2017	2016	$	%
Canada					
	Subscriptions	$ 221,891	$ 225,315	(3,424)	-2%
	Contract and Implementation	-	1,822	(1,822)	-100%
	Total	$ 221,891	$ 227,137	(5,246)	-2%
	% of Total	22%	22%		
US					
	Subscriptions	$ 765,008	$ 689,653	75,355	11%
	Contract and Implementation	41,048	112,772	(71,724)	-64%
	Total	$ 806,056	$ 802,425	3,631	0%
	% of Total	78%	78%		
Total		$ 1,027,947	$ 1,029,562	(1,615)	0%

During the six months ended January 31, 2017 revenues from the United States accounted for 78% of total revenues, the same as in the comparative period of the previous year. Canadian revenues accounted for 22% of total revenues during the six months ended January 31, 2017 the same as in the comparative period of the previous year.

Selling and Marketing

	Six months ended January 31		Variance	
	2017	2016	$	%
Advertising and Promotion	$ 109,670	$ 26,581	83,089	313%
Meals and Entertainment	7,703	10,673	(2,970)	-28%
Travel and transportation	40,289	69,172	(28,883)	-42%
Total	$ 157,662	$ 106,426	51,236	48%

During the six months ended January 31, 2017, selling and marketing expenses increased by 48% or $51,236 to $157,662 from $106,426 in the same period of the previous year. The increase in advertising and promotion expense was primarily due to an increase in promotional efforts including development of a new website and marketing programs for increased exposure of the new HS Touch and HS Cloud products. Decreases in travel were due to change in advertising strategies during the six months ended January 31, 2017 compared to the same period of the previous year.

As a percentage of total revenues, selling and marketing expenses increased by 48% for the six months ended January 31, 2017 when compared to the same period of 2016.

(Expressed in US dollars)

Operating, General and Administrative ("G&A") Expenses

	Six months ended January 31		Variance from 2016 to 2017	
	2017	2016	$	%
Consulting fees	$ 540,263	$ 184,060	356,203	194%
Dues and subscriptions	14,169	18,388	(4,219)	-23%
Filing fees	7,082	20,060	(12,978)	-65%
Insurance	47,909	33,069	14,840	45%
Office expenses	19,048	21,686	(2,638)	-12%
Professional fees	233,930	212,303	21,627	10%
Rent	33,960	35,812	(1,852)	-5%
Salaries and wages	509,595	524,786	(15,191)	-3%
Hosting and telecommunication	147,071	169,298	(22,227)	-13%
Utilities	2,023	1,842	181	10%
Total Operating Expenses	$ 1,555,050	$ 1,221,304	333,746	27%

During the six months ended January 31, 2017, general and administration (G&A) expenses increased 27% or by $333,746 to $1,555,050 from $1,221,304 compared to the same period of 2016. The increase of G&A in 2017 was largely due to increases in accounting, as part of professional fees, and consulting fees related to business development strategies. The increases of the G&A expenses are offset by a decrease of $22,227 in information technology expense.

Interest and Financing Costs

	Six months ended January 31		Variance from 2016 to 2017	
	2017	2016	$	%
Interest	$ 95,422	$ 198,973	(103,551)	-52%
Factoring fees	2,937	38,408	(35,471)	-92%
Total	$ 98,359	$ 237,381	(139,022)	-59%

Finance costs for the six months ended January 31, 2017 decreased by $139,022 or 59%, to $98,359 from $237,381 in the same period of 2016. The decrease in interest was primarily from the repayment of certain secured loans during six months ended January 31, 2017 and lesser factoring fees.

Net Loss

	Six months ended January 31		Variance from 2016 to 2017	
	2017	2016	$	%
Net Income (Loss) from Operations	$ (918,119)	$ (423,606)	(494,513)	117%
Net Income (Loss)	(1,019,888)	(582,831)	(437,057)	75%
Net Income (Loss) Per Share	(0.013)	(0.012)	0.001	8%
Basic and Diluted Weighted Average Number of Shares Outstanding	76,660,956	50,317,102	26,343,854	52%

Loss from operations during the six months ended January 31, 2017 increased by $494,513 or 117% from a loss of $423,606 in 2016. The increase in the loss from operations is mainly due to the higher consulting expense relating to increased promotional activities for the newly developed products and increased audit expenses. Net loss per share increased by $0.001 to $0.013 for the six months ended January 31, 2017.

Net loss increased by $437,057, or 75%, to $1,019,888 for the six months ended January 31, 2017 from a loss of $582,831 in the same period of 2016. The increased net loss is largely resulting from the loss from operations offset by lower interest expense due to repayment of certain secured debt and the gain on settlement of debentures.

Working Capital

As at January 31, 2017, the Company had a working capital deficit of $703,135. This deficit was financed by the combination of convertible debenture and funds raised in the private placement. This was a decrease of $1,669,166 over the last fiscal year's working capital deficit of $2,372,301. The decrease in deficit was primarily due to the funds raised in the private placement and convertible debenture issued during the six months ended January 31, 2017.

(Expressed in US dollars)

5. SELECTED QUARTERLY INFORMATION

The following table presents unaudited selected consolidated financial information for each of the last four reported quarters for which the Company reported its financial results. Only four of the previous eight quarters have been disclosed pursuant to section 1.5 of Form 51-102F1 of National Instruments 51-102.

Quarter ended	January 31, 2017	October 31, 2016	July 31, 2016	April 30, 2016
Revenues	$ 538,971	$ 488,976	$ 363,518	$ 545,603
Operating expenses	834,582	1,111,484	995,675	831,295
Net Loss from Operations	(683,921)	(622,508)	(632,157)	(285,692)
Net loss	(335,967)	(683,921)	$ (374,312)	$ (390,215)
Net loss per share	$ 0.004	$ 0.011	$ (0.007)	$ (0.008)

6. CONSOLIDATED FINANCIAL POSITION

	January 31, 2017	**July 31, 2016**	**Variance from July 31, 2016 to January 31, 2017**
Working Capital Deficit	$ (703,135)	$ (2,372,301)	$ 1,719,022
Property and Equipment	47,616	55,588	(7,972)
Intangible Assets	512,015	513,383	(1,368)
Software License Inventory	291,609	291,343	266
Goodwill	1,845,609	1,843,926	1,683
Long Term Assets	2,696,849	2,704,240	(7,391)
Loan Facilities and LTD			
Finance Lease Obligations (Long-Term)	7,705	11,689	(3,984)
Convertible Debentures (Long-Term)	1,093,689	-	1,093,689
Long Term Liabilities	1,101,394	11,689	1,089,705
Lease Obligations, including current term, and commitments	156,503	243,202	(86,699)

Property and Equipment and Intangible Assets

Long Term Assets decreased by $7,391 over the six months ended January 31, 2017 compared to July 31, 2016. The decrease is driven by the amortization of property and equipment, as well as the effect of movements in the exchange rates in translating goodwill.

Software License Inventory

As at January 31, 2017, the Company had $291,609 in Software License Inventory compared to $291,343 at July 31, 2016. There was no change in the amount of licenses held by the Company and the change was a function of currency fluctuations.

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 licenses 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, 2017, at which time it is expected to be renewed.

(Expressed in US dollars)

Convertible debenture

In September 2016 the Company closed an offering of $1,500,000 in secured convertible debentures with a maturity date of two years following closing of the Debenture Offering, at an interest rate of 10% per annum, and a conversion price equal to CAD $0.075 per Share in the first 12 months from issuance of the Debenture and CAD $0.10 per Share thereafter.

7. CAPITAL RESOURCES AND LIQUIDITY

	Six months ended January 31	
	2017	**2016**
Net cash flows used in operating activities	$ (1,008,913)	$ (1,751,736)
Net cash flows used in investing activities	(75,145)	(125,878)
Net cash flows generated by (used in) financing activities	822,823	(532,650)
Effect of exchange rate changes on cash	(10,498)	(105,837)
Net increase (decrease) in cash	(271,733)	(2,516,101)
Cash at beginning of period	348,484	2,577,333
Cash at end of period	75,751	61,232
Restricted Cash at end of period	-	-
Total Cash	$ 75,751	$ 61,232

The Company has experienced significant working capital deficits for some time as a result of its growth strategy and acquisitions of technology. Long term contractual obligations are present in the form of capital leases and a rental agreement. As of January 31, 2017, there are two lease agreements outstanding with a total payable of $15,429. $7,724 will be paid within the next year leaving a balance of $7,705 to be paid thereafter. The Company signed a rental agreement for a five year lease that commenced August 1, 2014. As at January 31, 2017, there are two years and six months remaining on the lease agreement with a basic rent payable of $141,074.

The Company experiences significant fluctuations in liquidity as clients are invoiced on an annual basis whereas the expenses are generally incurred evenly throughout the fiscal year. The majority of the cash inflow from customer billings is collected in April through July of each year.

Despite these challenges, with recent sales efforts and the release of new technologies, the Company foresees strong growth in its revenues. In September 2016, the Company had restructured itself through an equity raise and debt financing totaling CDN $3,100,000. The proceeds were used to repay an existing debt of CDN $2,185,000 in an effort to reduce its long term debt.

The combination of reduced debt servicing costs and an increase in revenue is expected to provide a significant improvement in the Company's working capital position.

Secured Loan

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. Britannica also issued common share purchase warrants to the lenders of the secured loans.

On September 30, 2014, Britannica violated the minimum cash position covenant and was in default of its secured loan agreement. Britannica was unable to cure the default within the allowed 10 days period after the Notice of Default and Intention to Enforce Security September 30, 2014 were delivered. The default resulted in the seizure of all of Britannica's present and after-acquired assets.
On November 5, 2014, the original lenders extended a loan for CDN $1.7 million (unpaid amount at July 31, 2015 - $1,312,267, of which $134,580 is due within the next twelve months) to NST, 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.

Between November 2, 2015 and November 18, 2015, certain secured loans, with an outstanding principal balance of CDN $709,918 and accrued and unpaid interest of CDN $24,606, were repaid in full. During the six months ended January 31, 2017 the outstanding principal balance was paid out.

Pledged Accounts Receivable

At various times, depending on cash flow requirements, the Company sells portions of its receivables to a 3rd party. These advances are secured against the value of those invoices, and are repaid upon collection. As at January 31, 2017, amounts owing related to the Pledged Accounts Receivable were $170,644.

Unsecured convertible debentures

The convertible debentures had a maturity of July 31, 2014, with interest accruing at 7% per annum only after maturity. At the Company's option, the principal and any accrued interest may be repaid in three even payments on August 1, 2015, 2016 and 2017. As at January 31, 2017, amounts owing related to the convertible debentures were $28,637.

During the six months ended January 31, 2017 the Company closed an offering of CDN$1,500,000 in secured convertible debenture. As at January 31, 2017, amounts owing related to this convertible debentures was $1,151,250.

Notes payable

The Company had $857,656 of various advances payable as at July 31, 2016 including $835,660 of promissory notes to its secured lenders. During the six months ended January 31, 2017, the secured debt outstanding at July 31, 2016 was settled leaving $19,736 of unsecured note payable outstanding.

8. FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

As at January 31, 2017 the Company has not entered into any derivative or other off-balance sheet arrangements.

9. RELATED PARTY TRANSACTIONS

Transactions with Directors and Management

As at January 31, 2017, accounts payable and accrued liabilities included $nil (July 31, 2016 - $15,876) owing to companies controlled by directors.

For the six months ended January 31, 2017, $359,244 (2016 - $64,604) in consulting and accounting fees were paid to companies controlled by directors and former 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 $39,954 for the six months ended January 31, 2017 (2015 - $46,729).

Transactions with Lenders

For the six months ended January 31, 2017, $nil (2016 - $17,201) was advanced from a fund controlled by a former director and an officer of the Company. During the six months ended January 31, 2017, 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 January 31, 2017.

10. FINANCIALINSTRUMENTS

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 January 31, 2017, 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 January 31, 2017, the recorded amounts approximate fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or liability not measured 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; and
- 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 January 31, 2017, there were no financial assets or liabilities measured and recognized in the combined statement of financial position at fair value that would have been categorized as Level 2 or 3 in the fair value hierarchy above.

11. RISK MANAGEMENT

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 January 31, 2017 is $528,623 (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 January 31, 2017, $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 January 31, 2017, the Company's largest customer accounted for $195,074 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 of the condensed combined interim financial statements for the six months ended January 31, 2017. 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.

Business Risk Factors

The Company is exposed to a number of "Risk Factors", which are summarized below:

- The Company's financial results may fail to meet or exceed expectations of securities analysts or investors.
- The market for the Company's products or technology platform may not develop or perform as expected.
- The Company's data collection and analysis systems may contain material defects or we may otherwise deliver inaccurate information.
- The Company may deliver, or be perceived to deliver, inaccurate information to our customers.
- The Company's customer base consists exclusively of government bodies, whose budgets and mandates are subject to change.
- The Company may experience customer dissatisfaction or loss from changes to our methodologies or scope of information the Company collects.
- The Company may provide poor service or the Company's products may not comply with customer agreements.
- The Company may not be able to compete successfully against the Company's current and future competitors which would harm the Company's ability to retain and acquire customers.
- Any actual or perceived violations of privacy laws or perceived misuse of data could cause public relations problems and could impair the Company's ability to obtain user responses of sufficient size and scope.
- Any unauthorized disclosure or theft of private information the Company may gather could harm the Company's business.
- The Company may encounter difficulties managing its growth.
- The Company may fail to successfully market and develop its brand.
- The Company may fail to effectively expand its sales and marketing capabilities.
- The Company may experience system failures or delays in operation of our computer and communication systems.
- The Company may experience interruptions or delays in services it receives from third-party service providers, or from its own facilities, to host and deliver its products.
- The Company may fail to respond to technological developments.

  The Company may fail to protect and enforce its intellectual property rights.
- The Company may be subjected to costly and time-consuming litigation or expensive licenses from assertions of intellectual property infringement from third parties.
- Laws, regulations or enforcement actions may limit the Company's ability to collect and use information from Web users or restrict or prohibit its product offerings.
- The Company are dependent on the continued growth of the Web as a medium for widespread commerce, content, advertising and communications.
- The Company may experience an inability to attract or retain qualified personnel.
- The Company may be unsuccessful in its expansion through investments in, acquisitions of, or development of new products, or such effort may divert its management's attention.
- Changes in, or interpretations of, accounting methods or policies may require the Company to reclassify, restate, or otherwise change or revise the Company's financial statements.
- The Company may have inadequate internal control over financial reporting or significant existing or potential deficiencies or material weaknesses in such controls that it is not currently aware of.
- The Company may require additional capital to support business growth, and this capital may not be available on acceptable terms or at all.
- A market may not continue to develop or exist for the Company's Common Shares.

(Expressed in US dollars)

- The Company may lack coverage by securities or industry analysts who publish research or reports about its business or such analysts may issue adverse or misleading opinions concerning the Company.
- The Company's insiders have substantial control over HealthSpace, which could limit other shareholders' influence on the outcome of key transactions.
- The Company's management has broad discretion over use of proceeds.
- The Company may issue additional shares in an equity/debt financing that may have the effect of diluting the interest of its shareholders.
- The Company may issue additional debt which may or may not be on favorable terms.
- The Company may not be able to service the debt outstanding, or issued in the future.
- The Company has incurred and will continue to incur increased costs and demands upon management as a result of becoming a public company.
- The Company does not anticipate paying dividends to common shareholders in the foreseeable future.
- The Company's technology is based in part on a 3rd party platform, which may become obsolete, resulting in a lack of competitiveness.
- Intellectual property protection (such as trademarks, copyrights and patent applications) may not be granted.

12. OUTSTANDING SHARE DATA

Authorized Capital

The authorized capital of the Company consists of unlimited Common Shares with no par value.

Issued and Outstanding Shares

	January 31, 2017	March 30, 2017
Common shares	92,702,438	90,782,938
Share purchase warrants	18,847,860	18,847,860
Share purchase options	6,780,000	6,405,000

The following is a continuity of the stock options as at January 31 and March 30, 2017:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2015	-	-
Expired	-	-
Granted	3,395,000	$ 0.20
Cancelled	(450,000)	$ 0.20
Balance, July 31, 2016	2,945,000	$ 0.20
Exercisable, July 31, 2016	1,456,147	$ 0.20
Expired	-	$ -
Granted	3,850,000	$ 0.08
Cancelled	(15,000)	$ 0.20
Balance, January 31, 2017	6,780,000	$ 0.13
Exercisable, January 31, 2017	3,135,210	$ 0.16
Expired	-	$ -
Granted	375,000	$ 0.08
Cancelled	(750,000)	$ 0.20
Balance, January 23, 2016	6,405,000	$ 0.13
Exercisable, March 30, 2017	2,478,960	$ 0.17

(Expressed in US dollars)

The following is a continuity of the warrants as at January 31 and March 30, 2017:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2015	100,000	$ 0.001
Expired	-	-
Granted	1,066,100	$ 0.20
Exercised	(100,000)	$ 0.001
Balance, July 31, 2016	1,066,100	$ 0.20
Expired	-	-
Granted	19,701,260	$ 0.075
Exercised	(1,919,500)	$ 0.075
Cancelled	-	-
Balance, January 31, 2017	18,847,360	$ 0.08
Balance, March 30, 2017	18,847,860	$ 0.08