HEALTHSPACE DATA SYSTEMS LTD.

Consolidated Financial Statements

For the years ended July 31, 2017 and 2016
(Expressed in US dollars)

HAY & WATSON | Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Healthspace Data Systems Ltd.:

We have audited the accompanying consolidated financial statements of Healthspace Data Systems Ltd., which comprise the consolidated statements of financial position as at July 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Healthspace Data Systems Ltd. as at July 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

Hay + Watson

Chartered Professional Accountants
Vancouver, British Columbia
November 24, 2017

Healthspace Data Systems Ltd.
Consolidated Statement of Financial Position
As at July 31, 2017
Expressed in US Dollars

As at		**July 31, 2017**		July 31, 2016
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**161,851**	$	348,484
Accounts receivable		**170,047**		245,933
Prepaid and deposits		**43,070**		132,686
Other receivables		**-**		123,992
Total Current Assets		**374,968**		851,095
Property and equipment (Note 5)		**43,818**		55,588
Intangible assets (Note 6)		**548,139**		513,383
Goodwill (Note 4)		**1,926,167**		1,843,926
Software license inventory (Note 7)		**304,337**		291,343
TOTAL ASSETS	**$**	**3,197,429**	$	3,555,335
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**1,197,281**	$	881,230
Deferred revenue (Note 8)		**477,997**		569,441
Notes payable (Note 9)		**20,598**		857,656
Current portion of finance lease obligations (Note 10)		**8,328**		56,759
Secured loans (Note 12)		**-**		787,462
Current portion of convertible debentures (Note 11)		**30,525**		53,341
Share purchase liabilities		**18,288**		17,507
Total Current Liabilities		**1,753,017**		3,223,396
Long Term Liabilities				
Finance lease obligations (Note 10)		**3,875**		11,689
Convertible debentures (Note 11)		**1,195,092**		-
Total Long Term Liabilities		**1,198,967**		11,689
TOTAL LIABILITIES		**2,951,984**		3,235,085
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 13)		**4,168,842**		2,673,318
Options reserve		**433,038**		189,522
Warrant reserve		**87,029**		87,029
Foreign currency translation adjustment		**(18,946)**		(26,048)
Deficit		**(4,424,518)**		(2,603,571)
Total Shareholders' Deficiency		**245,445**		320,250
TOTAL LIABILITIES & SHAREHOLDER DEFICIENCY	**$**	**3,197,429**	$	3,555,335

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

Approved on behalf of the Board of Directors

"Ali Hakimzadeh" Director

"Alnesh Mohan" Director

Healthspace Data Systems Ltd.
Consolidated Statement of Loss and Comprehensive Loss
For the year ended July 31, 2017
Expressed in US Dollars

		Year ended July 31, 2017		Year ended July 31, 2016
REVENUE				
Subscriptions	$	1,778,794	$	1,732,218
Contract and implementation		134,449		206,493
Total Revenue		1,913,243		1,938,711
OPERATING EXPENSES				
Amortization		176,147		139,876
Amortization - software licenses		151,241		116,529
Advertising and promotion		137,449		106,584
Consulting fees		650,838		482,960
Dues and subscriptions		31,513		9,218
Filing fees		11,839		26,188
Insurance		82,131		74,807
Meals and entertainment		14,335		28,055
Office expenses		36,408		47,276
Professional fees		435,937		453,612
Rent		69,270		73,498
Royalties		-		12,172
Salaries and wages		977,302		1,038,263
Share-based compensation		243,516		186,111
Hosting and telecommunication		383,331		343,713
Travel and transportation		69,042		140,201
Total Operating Expenses		3,470,299		3,279,063
LOSS FROM OPERATIONS		(1,557,056)		(1,340,352)
OTHER INCOME (EXPENSES)				
Interest		(218,303)		(460,633)
(Loss) gain on settlement of liabilities		(35,612)		420,944
SR&ED (expense) recovery		(5,947)		11,262
Foreign exchange (loss) gain		(6,868)		21,060
Other revenue		2,839		1,205
NET LOSS		(1,820,947)		(1,346,514)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment		7,102		(101,302)
COMPREHENSIVE LOSS	$	(1,813,845)	$	(1,447,816)
BASIC AND DILUTED LOSS PER SHARE	$	(0.022)	$	(0.027)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		84,543,878		49,426,210

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

Healthspace Data Systems Ltd.
Consolidated Statement of Changes in Shareholders' Equity
For the year ended July 31, 2017
Expressed in US Dollars

	Share Capital							
	Number of Shares	**Amount**	**Share subscriptions**	**Warrant Reserve**	**Options Reserve**	**Foreign currency translation adjustment**	**Deficit**	**Total**
Balances, August 1, 2015	47,495,717	$ 381,056	$ 1,990,657	$ 92,454	$ -	$ 58,801	$ (1,257,057)	$ 1,265,911
Exercise of share subscriptions	-	1,994,308	(1,994,308)	-	-	-	-	-
Issuance of shares net of share issue costs	1,850,000	312,349	-	2,724	-	-	-	315,073
Exercise of warrants	1,073,515	9,532	-	(8,561)	-	-	-	971
Options granted as part of share based compensation	-	-	-	-	186,111	-	-	186,111
Foreign currency translation adjustment recognized directly in equity	-	(23,927)	3,651	412	3,411	16,453	-	-
Other comprehensive income	-	-	-	-	-	(101,302)	-	(101,302)
Net loss	-	-	-	-	-	-	(1,346,514)	(1,346,514)
Balances, July 31, 2016	50,419,232	$ 2,673,318	$ -	$ 87,029	$ 189,522	$ (26,048)	$ (2,603,571)	$ 320,250
Balances, August 1, 2017	50,419,232	$ 2,673,318	$ -	$ 87,029	$ 189,522	$ (26,048)	$ (2,603,571)	$ 320,250
Issuance of shares, net of share issue costs	39,207,040	1,333,813	-	-	-	-	-	1,333,813
Shares issued to settle debt	1,156,666	52,855	-	-	-	-	-	52,855
Exercise of warrants	1,919,500	108,856	-	-	-	-	-	108,856
Options granted as part of share based compensation	-	-	-	-	243,516	-	-	243,516
Other comprehensive loss	-	-	-	-	-	7,102	-	7,102
Net loss	-	-	-	-	-	-	(1,820,947)	(1,820,947)
Balances, July 31, 2017	**92,702,438**	**$ 4,168,842**	**$ -**	**$ 87,029**	**$ 433,038**	**$ (18,946)**	**$ (4,424,518)**	**$ 245,445**

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

Healthspace Data Systems Ltd.
Consolidated Statement of Cash Flows
For the year ended July 31, 2017
Expressed in US Dollars

		Year ended July 31, 2017		Year ended July 31, 2016
OPERATING ACTIVITIES				
Net loss	$	(1,820,947)	$	(1,346,514)
Adjustments for:				
Amortization for property and equipment and intangible assets		176,147		139,876
Amortization of software licenses		56,773		116,529
Interest		218,303		460,633
Settlement of liabilities		35,612		(420,944)
Share based compensation		248,148		186,111
Other investing and financing items		(56,131)		86,291
		(1,142,095)		(778,018)
Net changes in non-cash working capital items				
Increase (decrease) in accounts payable		316,051		(586,906)
Decrease (increase) in accounts receivable		75,886		(67,976)
Decrease (increase) in other receivables		123,992		(11,967)
(Decrease) increase in deferred revenue		(91,444)		19,705
Decrease (increase) in prepaid and deposits		89,616		(32,833)
		(627,994)		(1,457,995)
Interest Paid		(215,419)		(359,900)
		(843,413)		(1,817,895)
INVESTING ACTIVITIES				
Acquisition of property and equipment		(3,723)		(2,264)
Acquisitionof intangible assets		(148,145)		(192,592)
		(151,868)		(194,856)
FINANCING ACTIVITIES				
Payments on finance lease obligations		(55,914)		(123,675)
Payments on debt		(1,601,024)		(976,867)
Proceeds from issuance of debt		1,094,224		684,891
Exercise of the special warrants		108,856		971
Proceeds from issuance of shares, net of issue costs		1,333,813		315,073
		879,955		(99,607)
Cash (decrease)		(115,327)		(2,112,358)
Effects of movements in exchange rates on cash		(71,306)		(116,491)
CASH AND CASH EQUIVALENTS, beginning of year		348,484		2,577,333
CASH AND CASH EQUIVALENTS, end of year	$	161,851	$	348,484

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

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 consolidated financial statements for the year ended July 31, 2017 include the financial information of HealthSpace and its wholly owned subsidiary HealthSpace USA Inc.

Going Concern

As at July 31, 2017 the Company had a working capital deficiency of $1,378,049 (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 doubt.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

These consolidated financial statements have been prepared in accordance with the accounting policies presented below and are based on IFRS and IFRIC interpretations issued and effective as of July 31, 2017. These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 24, 2017.

Basis of Measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates and Judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

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

(Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Estimates and Judgments (continued)

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

Presentation and Functional Currencies

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

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

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

Year end dates	US to CDN	CDN to US
July 31, 2016	$1.3041	$0.7668
July 31, 2017	$1.2485	$0.8010

Year averages	US to CDN	CDN to US
Year ended July 31, 2016	$1.3280	$0.7530
Year ended July 31, 2017	$1.3240	$0.7553

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The Company's financial assets and financial liabilities are classified as follows:

- Cash is classified as "fair value through profit or loss" and measured at fair value.
- Accounts receivable and other receivables are classified as "loans and receivables" and are measured at amortized cost. At July 31, 2017 and 2016, the recorded amounts approximate fair value.
- Accounts payable and accrued liabilities, notes payable, finance lease obligations, convertible debentures, secured loans and other liabilities are classified as "other financial liabilities" and are measured at amortized cost. At July 31, 2017 and 2016, the recorded amounts approximate fair value.

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

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – inputs for the asset or liability are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At July 31, 2017 and 2016, there were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would have been categorized as Level 2 or 3 in the fair value hierarchy above.

Impairment of Financial Assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Property and Equipment

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

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

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

Intangible Assets and Goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets and Goodwill (continued)

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recorded in the consolidated statement of loss and comprehensive loss as incurred. Amortization is recorded annually using either the declining balance or straight-line method and is intended to amortize the costs of the assets over their estimated useful lives:

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

Software License Inventory

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

Impairment of Non-Financial Assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets (continued)

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

Leases

A lease that transfers substantially all of the benefits and risks of ownership to the Company is classified as a finance lease. At the inception of a finance lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair market value. Assets under finance leases are amortized on the declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Provisions

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

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

Share Capital and Share-based Payments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital and Share-based Payments (continued)

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

Revenue Recognition

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

Comprehensive Income or Loss

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

Loss Per Share

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

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

Adoption of New Accounting Pronouncements

The following is a summary of new standards, amendments and interpretations that are effective for annual periods beginning on or after January 1, 2016. Adoption of new accounting pronouncements did not have any material impact on the consolidated financial statements.

Amendments to IFRS 7, Financial Instruments: Disclosures (“IFRS 7”)
The amendments to IFRS 7 provide clarification on when an entity has a continuing involvement in a financial assets. The amendments also provide clarification of disclosure requirements in financial statements when offsetting financial assets and financial liabilities.

Amendments to IAS 1, Presentation of Financial Statements (“IAS 1”)
The amendments in IAS 1 clarify financial statement disclosure and presentation requirements.

Amendments to IAS 16, Property, Plant and Equipment (“IAS 16”)
The amendments to IAS 16 provide clarification on methods of depreciation and amortization.

Amendments to IAS 38, Intangible Assets (“IAS 38”)
The amendments to IAS 38 provide clarification of amortization period and method for intangible assets with finite useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

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

<u>Amendments to IFRS 2, Share-based Payment ("IFRS 2")</u>
The amendments to IFRS 2 provide further clarification on treatment of vesting conditions, cash-settled share-based payment transactions and share-based payment transactions with a net settlement feature for withholding tax obligations and with cash alternatives. The effective date is annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

<u>IFRS 9, Financial Instruments ("IFRS 9")</u>
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 is annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

<u>IFRS 15, Revenue from Contracts with Customers ("IFRS 15")</u>
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.

<u>IFRS 16, Leases ("IFRS 16")</u>
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.

<u>Amendments to IAS 7 – Statement of Cash Flows ("IAS 7")</u>
The amendments in IAS 7 require additional disclosure of changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017.

<u>Amendments to IAS 12 – Income Taxes ("IAS 12")</u>
The amendments to IAS 12 clarify the recognition of deferred tax assets for unrealized losses. These amendments are effective for annual periods beginning on or after January 1, 2017.

(Expressed in US dollars)

4. GOODWILL

Goodwill, representing the sales and growth potential of HealthSpace 2009 arising from the acquisition of HealthSpace by Britannica HealthSpace Holdings Ltd. 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		82,241
Goodwill, July 31, 2017	$	1,926,167

None of the goodwill recognized is expected to be deductible for tax purposes and, as of July 31, 2017 and 2016, no impairment has been identified.

5. PROPERTY AND EQUIPMENT

COST	**Computer Hardware ($)**	**Furniture and Equipment ($)**	**Leasehold Improvements ($)**	**Total ($)**
Balance, 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	3,723	-	-	3,723
Effect of movement in exchange rates	3,874	-	23	3,896
Balance, July 31, 2017	**102,505**	**4,229**	**519**	**107,253**
ACCUMULATED AMORTIZATION				
Balance, July 31, 2015	26,775	1,316	496	28,587
Amortization	14,598	539	-	15,137
Effect of movement in exchange rates	323	-	-	323
Balance, July 31, 2016	41,695	1,855	496	44,046
Amortization	16,502	475	-	16,977
Effect of movement in exchange rates	2,389	-	23	2,412
Balance, July 31, 2017	**60,587**	**2,330**	**519**	**63,435**
NET BOOK VALUE				
Balance, July 31, 2016	53,214	2,374	-	55,588
Balance, July 31, 2017	**41,919**	**1,899**	**-**	**43,818**

(Expressed in US dollars)

6. INTANGIBLE ASSETS

COST	Unpatented Technology ($)	Customer Relationships and Contracts ($)	Inspection Application (6a) ($)	Customizable Application (6b) ($)	Total ($)
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	-	-	22,207	-	22,207
Additions from internal development	-	-	-	148,145	148,145
Effect of movements in exchange rates	5,431	1,370	22,314	11,518	40,632
Balance, July 31, 2017	**127,170**	**32,088**	**514,701**	**216,925**	**890,883**
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	17	2,460
Balance, July 31, 2016	54,588	8,265	102,709	954	166,516
Amortization	19,986	3,026	123,111	13,048	159,170
Effect of movements in exchange rates	3,644	552	12,030	832	17,058
Balance, July 31, 2017	**78,218**	**11,842**	**237,850**	**14,834**	**342,744**
NET BOOK VALUE					
Balance, July 31, 2016	67,151	22,453	367,471	56,308	513,383
Balance, July 31, 2017	**48,952**	**20,246**	**276,851**	**202,091**	**548,139**

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

6 (a) Inspection application

On May 1, 2015, the Company acquired an iOS- and Android-compatible inspection application and related online tools from iGov Inc. ("iGov") for fixed and variable consideration of up to $1.25 million. The technology was made available to the public on the Android app store on November 1, 2015. The consideration for this acquisition as at July 31, 2017 is:

Shares to be issued based on gross qualifying product licenses sold before January 1, 2017 calculated at the share price on January 31, 2017		261,800
10% royalty on gross license revenues earned before July 31, 2017	$	14,505

(Expressed in US dollars)

6. INTANGIBLE ASSETS (Continued)

6 (b) Customizable application

Customizable application consists of internally developed software for which the Company capitalized $148,145 during the year ended July 31, 2017 (2016 – $56,231).

7. 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	12,994
Balance, July 31, 2017	**304,337**
ACCUMULATED AMORTIZATION AND IMPAIRMENT	
Balance, July 31, 2015	-
Balance, July 31, 2016	-
Balance, July 31, 2017	**-**
NET BOOK VALUE	
Balance, July 31, 2016	291,343
Balance, July 31, 2017	**304,337**

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

8. DEFERRED REVENUE

Deferred revenue represents customer payments received for software support and maintenance services to be provided over the next one to eight years.

		July 31, 2017		July 31, 2016
Wisconsin Department of Health	**$**	**-**	$	237,567
West Virginia Bureau for Public Health		**57,024**		-
Other		**420,973**		331,874
Total	**$**	**477,997**	$	569,441

(Expressed in US dollars)

9. NOTES PAYABLE

		July 31, 2017		July 31, 2016
Bill Lawson - *Note 9(a)*	**$**	**20,598**	$	19,718
R.C. Morris & Company Special Opportunities Debt Fund I LP – *Note 9(b)*		**-**		71,936
R.C. Morris & Company Special Opportunities Debt Fund II LP – *Note 9(c)*		**-**		763,724
Other		**-**		2,278
Total	**$**	**20,598**	$	857,656

9 (a) Bill Lawson
This note payable does not bear interest and is due on demand.

9 (b) R.C. Morris & Company Special Opportunities Debt Fund LP
This promissory note was repaid on September 29, 2016.

9 (c) R.C. Morris & Company Special Opportunities Debt Fund II LP
These promissory notes were repaid on September 29, 2016.

10. FINANCE LEASE OBLIGATIONS

The Company has leased computer hardware and software licenses under a number of finance leases. At July 31, 2017, the net carrying amount of leased computer hardware included in property and equipment is $12,202 (July 31, 2016 - $29,905) and in prepaid and deposits is $nil (July 31, 2016 - $49,170).

Lease terms range from one to three years. Interest rates underlying all obligations under finance leases are fixed at rates ranging from 24% to 29%.

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

2018	$	10,601
2019		3,875
		14,476
Less: Imputed interest		(2,273)
Less: Current portion		(8,328)
	$	**3,875**

(Expressed in US dollars)

11. CONVERTIBLE DEBENTURES

		July 31, 2017		July 31, 2016
AMM Electrical Services Ltd. – *Note 11(a)*	**$**	**7,512**	$	13,128
Dan M. Sudeyko Law Corp. – *Note 11(a)*		**7,512**		13,128
Arlene Webster – *Note 11(a)*		**12,346**		21,574
Andrea Stiller – *Note 11(a)*		**3,154**		5,511
Various – *Note 11(b)*		**1,195,092**		-
		1,225,617		53,341
Less: Current portion		**30,525**		53,341
	$	**1,195,092**	$	-

11 (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 July 31, 2017, the Company deferred the maturity of the convertible debentures to January 15, 2018.

11 (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 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.
- Debenture holders hold a security interest over the Company's present and after acquired personal property.

11. CONVERTIBLE DEBENTURES (continued)

11 (b) (continued)

- On or after September 28, 2017, the Company may redeem and prepay all or a part of the principal amount, with a penalty equal to the amount of interest remaining on the amount redeemed or prepaid, to be converted to common shares at a conversion rate that would provide for a 15% discount of the volume weighted average price on closing of the preceding 20 trading days.

As of July 31, 2017, the carrying value of convertible debentures is $1,195,092 and accrued interest, included in accounts payable and accrued liabilities, is $100,459. As of July 31, 2017, the principal balance on the convertible debenture is CDN$1,500,000.

12. SECURED LOANS

Secured loan bears interest at 20% per annum and matured on December 31, 2016. On September 29, 2016, the Company repaid the secured loan and accrued interest in full.

13. SHARE CAPITAL

Common Shares – Authorized

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

Financings during the year ended July 31, 2017

On September 30, 2016, the Company closed its first tranche of equity offering and issued 29,907,040 units for gross proceeds of CDN $1,595,352. Each unit comprised of one common share and one half of one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share for CDN $0.075 for a period of twelve months. On October 28, 2016, the Company closed its second tranche of equity offering and issued 7,300,000 units for gross proceeds of CDN $365,000. Each unit comprised of one common share and one half of one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share for CDN $0.075 for a period of twelve months. As part of this financing, the Company paid cash share issue costs of CDN $81,837, issued 2,000,000 common shares and issued 1,097,740 share purchase warrants to the finders entitling the holder to purchase common shares for CDN $0.075 per share for a period of twelve months.

On October 17, 2016, the Company 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.

13. SHARE CAPITAL (continued)

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.

14. SHARE-BASED PAYMENT

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 five years and exercise prices based on the fair market value of the common shares at the grant date.

Share Options Granted

On March 23, 2016, the Company granted 2,945,000 options to purchase common shares of the Company to directors, senior management, contractors and employees. Share options to directors vest over one year and expire five years after the grant date. Share options granted to employees vest over a two to three year period and expire five years after the grant date. Share options granted to contractors vest immediately and expire five years after the grant date. The exercise price is based on the fair market value of the common shares at the grant date. During the year ended July 31, 2017, 765,000 of these options were cancelled.

(Expressed in US dollars)

14. SHARE-BASED PAYMENT (continued)

Share Options Granted (continued)

On November 24, 2016, the Company granted 3,550,000 share options to purchase common shares of the Company to directors, senior management, contractors and employees. Share options vest over one year and expire five years after the grant date. The exercise price is based on the fair market value of the common shares at the grant date.

From January through March 2017, the Company granted 675,000 share options to purchase common shares of the Company to contractors. Share options vest over one year and expire five years after the grant date. The exercise price is based on the fair market value of the common shares at the grant date.

The following is a summary of the Company's share options outstanding as at July 31, 2017:

		Share Options Outstanding		Share Options Exercisable	
Range of exercise prices	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price	Number of share options exercisable	Weighted average exercise price
CDN $0.08 - $0.20	6,345,000	4.03 years	CDN $0.12	5,444,260	CDN $0.14

The following is a continuity of the share options as at July 31, 2017:

	Year ended July 31, 2017		Year ended July 31, 2016	
	Number of Share Options	**Weighted Average Exercise Price**	Number of Share Options	Weighted Average Exercise Price
Balance, beginning of year	2,945,000	$0.20	-	$ -
Granted	4,225,000	$0.06	3,395,000	$0.20
Cancelled	(825,000)	($0.20)	(450,000)	($0.20)
Balance, end of year	**6,345,000**	**$0.12**	2,945,000	$0.20
Exercisable, end of year	**4,757,014**	**$0.13**	1,456,147	$0.20

The Company recorded $233,451 in share-based compensation related to share options vested during the year ended July 31, 2017 (2016 - $186,111). The fair values of the share options granted during the year ended July 31, 2017 were calculated using the Black-Scholes option pricing model and the following weighted average inputs:

(Expressed in US dollars)

14. SHARE-BASED PAYMENT (continued)

Share Options Granted (continued)

Dates of grant	July 31, 2016 – March 17, 2017
Risk free interest rate	0.91% - 1.38%
Expected volatility (1)	100% - 130%
Expected years of share option life (2)	4.7 – 5.0
Expected dividends	$Nil
Share price	CDN $0.06 - CDN $0.18
Exercise price	CDN $0.08 - CDN $0.20
Fair value of the share options granted	CDN $0.05 - CDN $0.13

(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 share option life includes the anticipated effect of early exercise.

Restricted Stock Units Granted

During the year ended July 31, 2017, the Company granted 1,200,000 restricted stock units with the following vesting schedule:

- 25% vest immediately,
- 25% to vest upon the Company achieving a total revenue of $4 million for year ending July 31, 2017 (not achieved), and
- 50% to vest upon the Company achieving a total revenue of $9 million for year ending July 31, 2018.

The Company recorded $14,700 in share-based compensation related to share options vested during the year ended July 31, 2017 (2016 - $nil).

Common Share Purchase Warrants

Between November 4 and December 23, 2015, the Company issued 1,066,100 finder's warrants, with exercise price of CDN$0.20 and expiry dates between November 4, 2017 and December 18, 2017, as part of the completion of various non-brokered private placements. These warrants were valued at CDN$0.1084.

As part of the completion of the September 30 and October 28, 2016 non-brokered private placements, the Company issued 1,097,740 finder's warrants with an exercise price of CDN$0.075 per warrant and expiry of September 29, 2017 and October 27, 2017. These finder's warrants were valued at $nil.

(Expressed in US dollars)

14. SHARE-BASED PAYMENT (continued)

Warrants Granted

The following is a continuity of the warrants as at July 31, 2017:

	Year ended July 31, 2017		Year ended July 31, 2016	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	1,066,100	$0.20	100,000	$0.001
Exercised	(1,919,500)	($0.08)	(100,000)	($0.001)
Granted	19,701,260	$0.08	1,066,100	$0.20
Balance, end of year	**18,847,860**	**$0.08**	1,066,100	$0.20
Exercisable, end of year	**18,847,860**	**$0.08**	1,066,100	$0.20

The fair value of the warrants granted to finders were estimated based on the $nil value attributed to warrants issued as part of the September 30, 2017 non-brokered private placement.

The weighted average remaining life of the warrants outstanding as at July 31, 2017 is 0.19 years.

Exercise of warrants during the year ended July 31, 2017

During the year ended July 31, 2017, 1,919,500 shares were issued for warrants exercised at CAD$0.075 per share for proceeds of $108,856 (CDN$143,963).

15. RELATED PARTY TRANSACTIONS

Transactions with Directors and Management

As at July 31, 2017, accounts payable and accrued liabilities included $39,590 (July 31, 2016 - $15,876) owing to a director and companies controlled by directors.

For the year ended July 31, 2017, $348,270 (2016 - $154,522) 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 and former key management personnel, who have the authority and responsibility for planning, directing and controlling the activities of the Company, were $230,909 for the year ended July 31, 2017 (2016 - $233,089).

For the year ended July 31, 2017, $49,510 was paid for the share issuance costs due to companies controlled by Directors.

During the year ended July 31, 2017 the Company recorded $80,816 (2016 - $105,925) in share-based compensation related to share options granted to directors and officers of the Company.

(Expressed in US dollars)

15. RELATED PARTY TRANSACTIONS (continued)

Transactions with Lenders

For the year ended July 31, 2017, $nil (2016 - $26,838) was advanced from a fund controlled by a former director and a former officer of the Company. During the year ended July 31, 2017, CDN$2,116,745 of notes payable and secured loans advanced was repaid (2016 - $158,131). $42,050 of interest was paid on loans advanced by the same fund for the year ended July 31, 2017 (2016 - $17,478).

16. COMMITMENTS

At July 31, 2017, the Company has lease commitments related to the purchase of computer hardware and maintenance of software licenses (Note 10).

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

Years ended July 31,		
2018	$	63,656
2019	$	61,490

17. INCOME TAXES

The Company's deferred tax assets and liabilities are:

		July 31, 2017		July 31, 2016
Deferred tax liabilities				
Intangible assets	**$**	**(76,762)**	$	(73,425)
Software license inventory		**(79,128)**		(75,749)
Convertible debentures		**(1,724)**		(880)
		(157,613)		(150,054)
Deferred tax assets				
Property and equipment		**237,890**		223,025
Finance lease obligations		**3,173**		17,796
Share issue costs		**68,280**		97,211
Tax loss carry forwards		**1,595,693**		1,015,582
		1,905,036		1,353,614
Net deferred tax assets (liabilities)		**1,747,422**		1,203,560
Valuation allowance		**(1,747,422)**		(1,203,560)
Net deferred tax assets (liabilities)	**$**	**-**	$	-

(Expressed in US dollars)

17. INCOME TAXES (continued)

The reconciliation of the provision for income tax is:

		Year Ended July 31, 2017		Year Ended July 31, 2016
Loss before income taxes	$	(1,820,947)	$	1,346,514
Combined federal and provincial statutory income tax rates		26%		26%
Recovery of income taxes based on combined statutory tax rate	$	(473,446)	$	350,094
Effect of rate in foreign jurisdictions		5,483		(2,836)
Net effect of (non-deductible) deductible items		126,872		(103,549)
Change in valuation allowance		543,863		(255,079)
Current year deductible amounts		(75,964)		87,111
Change in unrecognized deferred tax assets and liabilities		(543,863)		255,079
Effect of current period losses not recognized		417,055		(330,820)
Provision for income taxes	$	-	$	-

As at July 31, 2017, the Company has unrecognized non-capital losses for income tax purposes of approximately $5.6 million that may be used to offset future taxable income. These non-capital losses, if not used, will expire between 2025 and 2037.

18. LOSS PER SHARE

The Company's financial instruments which could potentially dilute loss per share consist of the convertible debentures and common share purchase options and warrants. The Company's convertible debentures and common share purchase options and warrants are antidilutive for the years ended July 31, 2017 and 2016. Therefore, the Company's diluted loss per share is equal to its basic loss per share.

(Expressed in US dollars)

19. OPERATING SEGMENTS

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

	Canada	United States of America	Total
For the year ended July 31, 2017			
Revenues			
External subscription revenues	$ 468,713	$ 1,310,081	$ 1,778,794
External contract and implementation revenues	5,438	129,011	134,449
Interest expense	(200,678)	(17,626)	(218,303)
Net income (loss)	(2,639,317)	813,738	(1,825,579)
As at July 31, 2017			
Non-current assets			
Property and equipment	38,748	5,070	43,818
Intangible assets	548,139	-	548,139
Software license inventory	304,337	-	304,337
Goodwill	1,926,167	-	1,926,167
Total assets	2,947,768	249,661	3,197,429
Total liabilities	(2,581,649)	(370,334)	(2,951,984)

	Canada	United States of America	Total
For the year ended July 31, 2016			
Revenues			
External subscription revenues	$ 459,914	$ 1,272,304	$ 1,732,218
External contract and implementation revenues	5,008	201,485	206,493
Interest expense	(445,077)	(15,556)	(460,633)
Net loss	(2,095,873)	749,359	(1,346,514)
As at July 31, 2016			
Non-current assets			
Property and equipment	$ 48,458	$ 7,131	$ 55,588
Intangible assets	513,383	-	513,383
Software license inventory	291,343	-	291,343
Goodwill	1,843,926	-	1,843,926
Total assets	2,971,219	584,116	3,555,335
Total liabilities	(2,697,880)	(537,205)	(3,235,085)

For the year ended July 31, 2017, revenues from two major customers in the United States of America represented approximately $718,929 (2016 - $737,200) of the Company's total revenues (Note 21).

20. MANAGEMENT OF CAPITAL

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

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

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

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

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

21. 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 due from the Federal Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at July 31, 2017 is $170,047 (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.

21. MANAGEMENT OF FINANCIAL RISK (continued)

Credit Risk (continued)

For amounts due from customers, the Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required. When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at July 31, 2017, $91,758 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 July 31, 2017, the Company's two largest customers accounted for $59,275 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 20. Accounts payable and accrued liabilities, notes payable and other liabilities are all due within the current operating period. Finance lease obligations are due based on the terms disclosed in Note 10. Convertible debentures are due based on the terms disclosed in Note 11.

Other Market Risk

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

22. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year end, the Company issued 17,000,000 units at a unit price of $0.05 per unit for gross proceeds of $850,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one common share at $0.05 per share for a 24 month period. Finders' fee of $23,450 was paid and 469,000 broker warrants, exercisable at $0.05 per share for a 24 month period, were issued.

The Company also issued 2,711,250 shares to creditors to settle $166,448 of accounts payable. Pursuant to the debt settlements, the Company wrote off approximately $28,800 of accounts payable.