HEALTHSPACE DATA SYSTEMS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018

GENERAL

The following is management's discussion and analysis ("MD&A") of HealthSpace Data Systems Ltd.'s ("HealthSpace" or the "Company") operating and financial results for the six months ended January 31, 2018, as well as information and expectations concerning the Company's outlook based on currently available information. This report is dated March 28, 2018.

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

Management is responsible for the preparation and integrity of the condensed interim consolidated 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 interim consolidated 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 condensed interim consolidated financial statements and the MD&A and to discuss otherfinancial, operating and internal control matters.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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-looking information.

1. SUMMARY OF OPERATIONS, EVENTS AND FUTURE PLANS

HealthSpace is an industry leading technology company currently providing business management, inspection, information, communication and data management systems for federal, state, county and municipal governments. Over the last two decades, HealthSpace has successfully developed both enterprise and mobile internet-based applications currently serving over 300 state and local government organizations across North America. HealthSpace currently offers the only integrated inspection, administration and analytics product suite across all platforms in North America. Further HealthSpace now delivers advanced inspection and auditing systems to private businesses enabling them to gain visibility and predictability into their own organizations and move from a reactive to a proactive operational status.

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.

2. DESCRIPTION OF BUSINESS

HealthSpace develops and provides sophisticated information management system for the surveillance, business management, compliance and tracking of regulatory and quality control applications. Clients include government regulatory agencies and private sector businesses who require collected data along with auditing applications for the purpose of improving productivity, quality control and performance analysis.

There are four main keys to success in regulatory, surveillance and auditing information process management:

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

There is strong public interest in food, water, cannabis and environmental protection. 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 and environmental health. Many do not have effective and cost-efficient information management systems, and the cost of developing custom-built systems is prohibitive. 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, including advanced data analytics tools and data processing and packaging for its clients. This data is expected to be provided as a quality control and operational management service to others such including food service, hospitality and the cannabis sectors.

To accomplish this HealthSpace will do the following:

1. Expand the footprint in existing market by deploying mobile cloud-based applications 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 by providing data analytics tool and processing and packaging data and moving into other symbiotic regulatory markets including water safety and cannabis distribution and regulation.

5. Use technological advances to reduce the overall cost of client acquisition and management.

6. Prototyping existing applications to implement Blockchain technology.

7. 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 the legacy application still used throughout North America. It is an internet-based Windows client/server 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. 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. Complete audit trails of system changes 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.

HS Touch

HealthSpace acquired technology related to iOS and Windows-based inspection applications pursuant to an Asset Purchase Agreement dated May 1, 2015 between the Company and iGov Inc. HealthSpace subsequently launched the HS Touch inspection application based on this technology, publishing the iOS version in the Apple App Store on June 14, 2015. The application 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 inspection reports. The application also provides the ability to 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.

HealthSpace CS Pro (HSCloud)

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. Being cloud based allows for quick and easy implementations and better flexibility for the customers. HS Cloud was released for sale in the third quarter of fiscal 2016-2017 with a significant update released in the fourth quarter.

HSCloud also includes the HSTouch application and an advanced data management system called HSData.

Research and Development

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

Infrastructure

The Company has considerable resources to upgrade its server and network infrastructure to ensure security and performance and to reduce ongoing system operating costs while staying current and compliant in a rapidly changing technology environment. The server infrastructure is housed in Tier III colocation facilities with failover capacity to insure continuous service.

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 public 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 is developing analysis tools with database experts for client organizations to evaluate the effectiveness of programs, reducing risk and providing predictive analysis of threats before they can occur. Also, inspection data will be made available for quality control applications in the food service and hospitality sector in partnership with existing and new government clients.

Blockchain

HealthSpace has begun developing blockchain technology that will be deployable atop their current HSCloud, HSTouch, iOS and Windows inspection applications. By utilizing its long history of providing auditing and regulatory inspections for health and consumer protection, HealthSpace can implement a solution not yet available in the blockchain space. Through its strategic partnerships with other experienced blockchain companies, HealthSpace can bring to market a new solution that will span across government and private sectors alike. It will be able to produce additional revenue streams via direct SaaS sales and technology licensing opportunities. It also creates the opportunity to create a token-based event whereby HealthSpace can monetize transactional events that occur on the blockchain.

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 distribution and 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 HealthSpace CS Pro 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.”

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. In December 2017 the Company issued 261,800 shares and paid $16,236 as consideration for this acquisition.

(Expressed in US dollars)

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 consolidated financial statements for the years ended July 31, 2017, 2016 and 2015.

Year ended July 31,		**2017**		**2016**		**2015**
Revenue	$	1,913,243	$	1,938,711	$	1,860,441
Operating expenses		3,470,299		3,279,063		2,477,104
Other income (expenses)		(263,891)		(6,162)		(280,740)
Net loss		(1,820,947)		(1,346,514)		(897,403)
Loss per share, basic and fully diluted		(0.02)		(0.03)		(0.03)
Operating cash		161,851		348,484		276,885
Working capital deficiency		(1,378,049)		(2,372,301)		(170,488)
Total assets		3,197,429		3,555,335		5,666,526
Total long-term liabilities		1,198,967		11,689		1,262,959
Shareholders' equity (deficiency)	$	245,445	$	320,250	$	1,265,911

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 financial results for the six and three months ended January 31, 2018, compared to the same period in the prior fiscal year. The unaudited condensed interim consolidated financial statements of the Company for the six months ended January 31, 2018 were 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.

Revenue

	Six months ended January 31				Variance from 2018 to 2017		
		2018		2017			
Subscriptions	$	956,727	$	986,899	$	(30,172)	-3%
Implementation		87,120		41,048		46,072	112%
Total	$	1,043,847	$	1,027,947	$	15,900	2%

During the six months ended January 31, 2018, the decrease in subscription revenue of $30,172 was offset by the increase of contract and implementation revenue of $46,072 which is mainly due to the Company acquiring new customers requiring implementation as compared to same period of the prior year.

(Expressed in US dollars)

	Three months ended January 31				Variance from 2018 to 2017			
	2018		2017					
Subscriptions	$	493,032	$	524,971	$	(31,939)	-6%
Implementation		69,640		14,000		55,640	397%
Total	$	562,672	$	538,971	$	23,701	4%

During the three months ended January 31, 2018, the decrease in subscription revenue of $31,939 was offset by the increase of contract and implementation revenue of $55,640 which is mainly due to the Company acquiring new customers requiring implementation as compared to same period of the prior year.

Revenues and Direct Costs

	Six months ended January 31				Variance from 2018 to 2017		
	2018		2017				
Revenue	$	1,043,847	$	1,027,947	$	15,900	2%
Software licenses		67,892		60,423		7,469	12%
Hosting and data		126,563		147,071		(20,508)	-14%
Net revenue	$	849,392	$	820,453	$	28,939	4%

(1) Hosting and data charges are combined in the condensed consolidated 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, 2018 increased by 3% as compared to the same period of the previous year. Direct costs of software licenses are incurred in CAD and depend on the exchange rates. Hosting costs decreased as the Company is optimizing its data and hosting expenses by distributing them between Canada and the United States.

	Three months ended January 31				Variance from 2018 to 2017		
	2018		2017				
Revenue	$	562,672	$	538,971	$	23,701	4%
Software licenses		33,750		33,292		(392)	-1%
Hosting and data		48,644		71,867		(23,223)	-32%
Net revenue	$	480,278	$	433,812	$	46,466	11%

The revenues over direct costs for the three months ended January 31, 2018 increased by 11% as compared to the same period of the previous year. The increase is mainly due to a decrease in hosting and data expense which is a result of the Company optimizing its data and hosting expenses by distributing them between Canada and the United States.

Revenue by geographic region

	Six months ended January 31				Variance from 2018 to 2017		
CANADA	2018		2017				
Subscriptions	$	257,736	$	221,891	$	35,845	16%
Implementation		5,129		-		5,129	100%
Total, Canada	$	262,865	$	221,891	$	40,974	18%
% of Total		25%		22%		258%	-

(Expressed in US dollars)

UNTED STATES	Six months ended January 31 2018	Six months ended January 31 2017	Variance from 2018 to 2017	
Subscriptions	$ 698,991	$ 765,008	$ (66,017)	-9%
Implementation	81,991	41,048	40,943	100%
Total, United States	$ 780,982	$ 806,056	$ (25,074)	-3%
% of Total	75%	78%	-158%	-
TOTAL	$ 1,043,847	$ 1,027,947	$ 15,900	2%

During the six months ended January 31, 2018, total revenues in Canada increased by $40,974 as compared to revenues during the six months ended January 31, 2017. The increase is mainly due to the Company maintaining the same customer base as at the end of the prior year.

During the six months ended January 31, 2018, the revenues in the United States related to implementation increased by $40,943. The increase is mainly due to acquisition of new customers in the United States. The increase was offset by a decrease in subscription revenues which is due to updating agreements with the existing customers.

Canadian revenues accounted for 25% of total revenues during the six months ended January 31, 2018.

CANADA	Three months ended January 31 2018	Three months ended January 31 2017	Variance from 2018 to 2017	
Subscriptions	$ 140,136	$ 109,752	$ 30,384	28%
Implementation	5,129	-	5,129	100%
Total, Canada	$ 145,265	$ 109,752	$ 35,513	32%
% of Total	26%	20%	150%	-

UNTED STATES	Three months ended January 31 2018	Three months ended January 31 2017	Variance from 2018 to 2017	
Subscriptions	$ 352,896	$ 415,219	$ (62,323)	-15%
Implementation	64,511	14,000	50,511	361%
Total, United States	$ 417,407	$ 429,219	$ (11,812)	-3%
% of Total	74%	80%	-50%	-
TOTAL	$ 562,672	$ 538,971	$ 23,701	2%

During the three months ended January 31, 2018, total revenues in Canada increased by $35,513 as compared to revenues during the three months ended January 31, 2017. The increase is mainly due to the Company maintaining the same customer base as at the end of the prior year.

During the three months ended January 31, 2018, the revenues in the United States related to implementation increased by $50,511. The increase is mainly due to acquisition of new customers in the United States during the current quarter. The increase was offset by a decrease in subscription revenues which is due to updating agreements with the existing customers.

Canadian revenues accounted for 26% of total revenues during the three months ended January 31, 2018.

(Expressed in US dollars)

Selling and Marketing

	Six months ended January 31		Variance from 2018 to 2017	
	2018	2017		
Advertising and Promotion	$ 12,995	$ 109,670	$ (96,675)	-88%
Sales commission	5,825	-	5,825	100%
Meals and entertainment	7,237	7,703	(466)	-6%
Travel and transportation	23,946	40,289	(16,343)	-41%
Total	$ 50,003	$ 157,662	$ (107,659)	-68%

During the six months ended January 31, 2018, selling and marketing expenses decreased compared to the same period of the previous year by $107,659. The Company is now contemplating a new marketing campaign related to a new line of software which is based on blockchain technology.

	three months ended January 31		Variance from 2018 to 2017	
	2018	2017		
Advertising and Promotion	$ 6,801	$ 57,975	$ (51,174)	-88%
Sales commission	5,825	-	5,825	100%
Meals and entertainment	4,083	2,900	1,183	41%
Travel and transportation	7,977	25,662	(17,685)	-69%
Total	$ 24,686	$ 87,537	$ (61,851)	-71%

During the three months ended January 31, 2018, selling and marketing expenses decreased compared to the same period of the previous year by $61,851. The Company is now contemplating a new marketing campaign related to a new line of software which is based on blockchain technology.

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

	Six months ended January 31		Variance from 2018 to 2017	
	2018	2017		
Consulting fees	$ 306,062	$ 540,263	$ (234,201)	-43%
Dues and subscriptions	12,832	14,169	(1,337)	-9%
Filing fees	12,459	7,082	5,377	76%
Insurance	52,851	47,909	4,942	10%
Office expenses	15,582	19,048	(3,466)	-18%
Professional fees	36,886	233,930	(197,044)	-84%
Rent	33,326	33,960	(634)	-2%
Salaries and wages	506,078	509,595	(3,517)	-1%
Total Operating expenses	$ 976,076	$ 1,405,956	$ (429,880)	-31%

During the six months ended January 31, 2018, G&A expenses decreased by 31% or by $429,880 to $976,076 from $1,405,956 incurred during the same period in 2017. The decrease in G&A was largely due to decreases in consulting fees and professional fees related to change in management during the six months ended January 31, 2017.

(Expressed in US dollars)

	Three months ended January 31				Variance from 2018 to 2017		
	2018		2017				
Consulting fees	$	198,181	$	77,165	$	121,016	157%
Dues and subscriptions		5,964		9,834		(3,870)	-39%
Filing fees		7,903		4,876		3,027	62%
Insurance		27,295		14,874		12,421	84%
Office expenses		7,136		5,029		2,107	42%
Professional fees		(14,038)		133,259		(147,297)	-111%
Rent		15,579		18,060		(2,481)	-14%
Salaries and wages		289,846		247,271		42,575	17%
Total Operating expenses	$	537,866	$	510,368	$	27,498	5%

During the three months ended January 31, 2018, G&A expenses remained at the same level as G&A expenses incurred during the same period of 2017. The decrease in professional fees of $147,297, which is a result of decreased audit and legal fees, was offset by an increase in consulting fees, business consulting expense in particular, related to a new line of software based on blockchain technology.

Interest and financing costs

	Six months ended January 31				Variance from 2018 to 2017		
	2018		2017				
Interest	$	70,899	$	95,422	$	(24,523)	-26%
Factoring fee		12,680		2,937		9,743	332%
Total	$	83,579	$	98,359	$	(14,780)	-15%

Interest and financing costs for the six months ended January 31, 2018 decreased by $14,780 or 15% to $83,579 from $98,359 during the same period in 2017. The decrease in interest was primarily due to the repayment of higher interest secured loans during 2017 and increase in using factoring as a temporary measure to maintain cash flow.

	Three months ended January 31				Variance from 2018 to 2017		
	2018		2017				
Interest	$	37,569	$	36,099	$	1,470	4%
Factoring fee		-		2,937		(2,937)	-100%
Total	$	37,569	$	39,036	$	(1,467)	-4%

Interest and financing costs for the six months ended January 31, 2018 were approximately at the same level as during the comparative period of the previous year.

Net Loss

	Six months ended January 31				Variance from 2018 to 2017		
	2018		2017				
Net Loss from operations	$	363,480	$	918,119	$	(554,639)	-60%
Net Loss		427,462		1,019,888		(592,426)	-58%
Net Loss per share	$	0.004	$	0.013	$	(0.009)	-69%
Basic and diluted number of shares outstanding		107,592,797		76,660,956			

(Expressed in US dollars)

Loss from operations during the six months ended January 31, 2018 decreased by $554,639 or 60% from a loss of $918,119 in 2017. The decrease in the loss from operations is mainly due to decrease in consulting fee, professional fees and advertising and promotion. Net loss during the six months decreased by $592,426 or 58% to $427,462 for the six months ended January 31, 2018 from a loss of $1,019,888 during the same period in 2017.

	Three months ended January 31				Variance from 2018 to 2017		
	2018		2017				
Net Loss from operations	$	203,943	$	295,611	$	(91,668)	-31%
Net Loss		263,284		335,967		(72,683)	-22%
Net Loss per share	$	0.002	$	0.004	$	(0.002)	-50%
Basic and diluted number of shares outstanding		120,335,764		91,025,938			

The Company experienced a decrease in net loss from operations and net loss overall for the three months ended January 31, 2018 compared to the three months ended January 31, 2017.

5. SELECTED QUARTERLY INFORMATION

The following table presents unaudited selected consolidated financial information for each of the eight reported quarters.

Quarter ended	January 31, 2018		October 31, 2017		July 31, 2017		April 30, 2017	
Revenues	$	562,672	$	481,175	$	458,339	$	426,957
Operating expenses		766,615		640,712		607,121		917,112
Net Loss from Operations		(203,943)		(159,537)		(148,782)		(490,155)
Net loss		(263,284)		(164,178)		(253,798)		(547,261)
Net loss per share	$	0.002	$	0.002	$	0.003	$	(0.006)

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, 2018	July 31, 2017	Variance
Working capital deficit	$ (483,915)	$ (1,378,049)	$ (129,185)
Property and equipment	56,146	43,818	12,328
Intangible assets	568,675	548,139	20,536
Software license inventory	309,075	304,337	4,738
Goodwill	1,956,156	1,926,167	29,989
Total long-term assets	2,890,052	2,822,461	67,591
Loan facilities			
Finance lease obligations (long-term)	-	3,875	(3,875)
Convertible debentures (long-term)	440,088	1,195,092	(755,004)
Total long-term liabilities	440,088	1,198,967	(758,879)
Lease obligations, including current term and commitments	$ 133,313	$ 137,349	$ (4,036)

Property and Equipment and Intangible Assets

Long-term assets increased by $67,591 at January 31, 2018 compared to July 31, 2017. The increase is mainly due to development costs capitalized and the change in exchange rates during the six months ended January 31, 2018. The change in exchange rates resulted in increase on translation of long-term assets, particularly goodwill, denominated in Canadian dollars.

Software License Inventory

As at January 31, 2018, the Company had $309,075 in Software License Inventory compared to $304,337 at July 31, 2017. There was no change in the number of licenses held by the Company and the change was a function of the stronger Canadian dollar as at January 31, 2018 as compared to July 31, 2017.

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.

Convertible Debenture

In September 2016, the Company closed an offering of CAD$1,500,000 in secured convertible debentures with a maturity date of two years following closing, 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. During the six months ended January 31, 2018, $955,000 of the debenture was converted into common shares of the Company.

(Expressed in US dollars)

7. CAPITAL RESOURCES AND LIQUIDITY

	Six months ended January 31,	
	2018	**2017**
Net cash flows used in operating activities	$ (986,045)	$ (1,008,913)
Net cash flows used in investing activities	(116,950)	(75,145)
Net cash flows generated by (used in) financing activities	1,571,659	822,823
Effect of exchange rate changes on cash	28,953	(10,498)
Net increase(decrease) in cash	497,617	(271,733)
Cash at beginning of period	161,851	348,484
Cash at end of period	$ 659,468	$ 76,751

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, 2018, there was one lease agreement outstanding with a total payable of $8,167. The Company signed a rental agreement for a five-year lease that commenced August 1, 2014. As at January 31, 2018, there are less than two years remaining on the lease agreement with a basic rent payable of $109,506.

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 November 2017, the Company begun to prototype their iOS and Windows inspection applications to implement blockchain technology. Blockchain serves as the next technological revolution for storing and sharing distributed data that has multiple sources of input. This provides capability for transferring any digital data between multiple participants in a secure and auditable fashion.

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.

Working Capital

As at January 31, 2018, the Company had a working capital deficit of $483,915. This was a decrease of $894,134 over the working capital deficit of $1,378,049 as at July 31, 2017. This deficit was financed by the funds raised in the private placements closed in December 2017.

Pledged Accounts Receivable

At various times, depending on cash flow requirements, the Company sells portions of its receivables to a third party. These advances are secured against the value of those invoices and are repaid upon collection. As at January 31, 2018, amounts owing related to pledged accounts receivable were $nil (July 31, 2017 - $384,944).

Convertible Debentures

Unsecured 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. In January 2018 the unsecured convertible debentures were repaid.

During the year ended July 31, 2017, the Company closed an offering of CAD$1,500,000 in secured convertible debenture bearing interest at 10% per annum. As at January 31, 2018, amounts owing related to this convertible debenture was $440,088.

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 year ended July 31, 2017, the secured debt outstanding at July 31, 2016 was settled leaving $20,918 of unsecured note payable outstanding as at January 31, 2018.

8. FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

As at January 31, 2018, 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, 2018, accounts payable and accrued liabilities included $nil (July 31, 2017 - $39,590) owing to directors, officers and companies controlled by directors and officers.

For the six months ended January 31, 2018, $70,777 (2016 - $262,664) in consulting and accounting fees were paid to a company controlled by an officer; to a company of which an officer of the Company is an employee and to a former officer. 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 $121,229 for the six months ended January 31, 2018 (2017 - $39,954).

During the six months ended January 31, 2018 the Company recorded $45,458 in share-based payments for the share options granted to directors and officers of the Company.

Transactions with Lenders

For the six months ended January 31, 2018 and year ended July 31, 2017, $nil was advanced from a fund controlled by a former director and a former officer of the Company. During the year ended July 31, 2017, CAD$2,116,745 of notes payable and secured loans advanced was repaid. $42,050 of interest was paid on loans advanced by the same fund for the year ended July 31, 2017.

10. 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 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, 2018, 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 January 31, 2018, 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, 2018, there were no financial assets or liabilities measured and recognized in the consolidated statement of financial position at fair value that would have been categorized as Level 2 or 3 in the fair value hierarchy above.

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 of $19,824 (July 31, 2017 - $$8,538) and amounts receivable from customers. The Company's maximum exposure to credit risk as at January 31, 2018 is $256,653 (July 31, 2017 - $170,047), representing accounts receivable from customers.

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, 2018, $nil of customer receivables are past due (July 31, 2017 - $91,758).

The majority of the Company's customer receivables are due from customers in the United States of America. As at January 31, 2018, the Company's two largest customers accounted for $153,764 of accounts receivable (July 31, 2017 - $59,275). As of the date of this Management Discussion and Analysis all of the customer receivables outstanding as at January 31, 2018 were received.

Interest Rate Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 21 of the consolidated financial statements for the year ended July 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 10 of the Company's condensed interim consolidated financial statements. Convertible debentures are due based on the terms disclosed in Note 10 of the Company's condensed interim consolidated financial statements.

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 is 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 condensed interim consolidated 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.
- 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.

(Expressed in US dollars)

- 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

As at January 31, 2018 and March 28, 2018, the Company had 134,087,988 shares issued and outstanding.

The following is a continuity of the share options as at January 31 and March 28, 2018:

	Number of Options	Weighted average exercise price	
Balance, July 31, 2016	2,945,000	$	0.20
Exercisable, July 31, 2016	1,456,147	$	0.20
Expired	-		-
Granted	4,225,000	$	0.08
Cancelled	(825,000)	$	0.20
Balance, July 31, 2017	6,345,000	$	0.12
Exercisable, July 31, 2017	4,757,014	$	0.13
Cancelled	(285,000)	$	0.09
Granted	2,375,000	$	0.15
Exercised	(1,150,000)	$	0.08
Balance, January 31, 2018	7,285,000	$	0.14
Exercisable, January 31, 2018	4,758,785	$	0.13
Balance, March 28, 2018	7,285,000	$	0.14
Exercisable, March 28, 2018	4,758,785	$	0.13

The following is a continuity of the warrants as at January 31 and March 28, 2018:

	Number of Warrants	Weighted average exercise price	
Balance, July 31, 2016	1,066,100	$	0.20
Granted	19,701,260	$	0.075
Expired	(1,919,500)	$	0.075
Balance, July 31, 2017	18,847,860	$	0.08
Expired	(18,847,860)	$	0.08
Granted	17,469,000	$	0.05
Balance, January 31, 2018	17,469,000	$	0.05
Expired	2,200,000	$	0.05
Balance, March 28, 2018	15,269,000	$	0.05

(Expressed in US dollars)

The following is a continuity of the restricted share units (RSU) as at January 31 and March 28, 2018:

	Number of RSU outstanding	Number of RSU vested
Balance, July 31, 2016	-	-
Balance, July 31, 2017	1,200,000	300,000
Cancelled	(300,000)	-
Granted	1,100,000	-
Exercised	(112,500)	-
Balance, January 31, 2018	1,887,500	300,000
Balance, March 28, 2018	1,887,500	300,000