HEALTHSPACE DATA SYSTEMS LTD.

Consolidated Financial Statements

For the years ended July 31, 2018 and 2017
(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, 2018 and 2017 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 audits. We conducted our audits 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, 2018 and 2017 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 19, 2018

HEALTHSPACE DATA SYSTEMS LTD.
Consolidated Statements of Financial Position
As at July 31, 2018 and 2017
Expressed in US Dollars

As at		July 31, 2018		July 31, 2017
ASSETS				
Current Assets				
Cash and cash equivalents	$	**332,333**	$	161,851
Accounts receivable		**301,342**		170,047
Prepaid and deposits		**102,027**		43,070
Total Current Assets		**735,702**		374,968
Property and equipment (Note 5)		**63,083**		43,818
Intangible assets (Note 6)		**782,732**		548,139
Goodwill (Note 4)		**1,847,293**		1,926,167
Software licenses (Note 7)		**291,875**		304,337
TOTAL ASSETS	$	**3,720,685**	$	3,197,429
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$	**434,457**	$	1,197,281
Deferred revenue (Note 8)		**517,216**		477,997
Notes payable (Note 9)		**19,754**		20,598
Current portion of finance lease obligation (Note 10)		**3,716**		8,328
Current portion of convertible debentures (Note 11)		**418,669**		30,525
Share purchase liabilities		**17,539**		18,288
Total Current Liabilities		**1,411,351**		1,753,017
Deferred revenue (Note 8)		**32,008**		-
Finance lease obligations (Note 10)		**-**		3,875
Convertible debentures (Note 11)		**-**		1,195,092
Total long-term liabilities		**32,008**		1,198,967
TOTAL LIABILITIES		**1,443,359**		2,951,984
SHAREHOLDERS' EQUITY				
Share capital (Note 12)		**6,859,359**		4,168,842
Options reserve		**632,134**		418,338
Restricted share unit reserve		**107,875**		14,700
Warrant reserve		**112,902**		87,029
Foreign currency translation adjustment		**(67,400)**		(18,946)
Deficit		**(5,367,544)**		(4,424,518)
TOTAL SHAREHOLDERS' EQUITY		**2,277,326**		245,445
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	**3,720,685**	$	3,197,429

Approved on behalf of the Board of Directors

"Ali Hakimzadeh" *Director*

"Alnesh Mohan" *Director*

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

HEALTHSPACE DATA SYSTEMS LTD.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended July 31, 2018 and 2017
Expressed in US Dollars

		Year ended July 31, 2018		Year ended July 31, 2017
REVENUE				
Subscriptions	$	2,024,854	$	1,778,794
Contract and implementation		175,176		134,449
Total Revenue		2,200,030		1,913,243
OPERATING EXPENSES				
Amortization		174,972		176,147
Advertising and promotion		298,591		206,491
Consulting fees		445,589		650,838
Filing fees and subscriptions		53,824		43,352
Insurance		101,516		82,131
Meals and entertainment		21,480		14,335
Office expenses		38,236		36,408
Hosting and telecommunication		304,760		383,331
Software licenses		126,989		151,241
Professional fees		131,001		435,937
Rent		71,597		69,270
Royalties		18,217		-
Salaries and wages		876,180		977,302
Sales commission		11,291		-
Share-based compensation		374,768		243,516
Total Operating Expenses		3,049,011		3,470,299
LOSS FROM OPERATIONS		(848,981)		(1,557,056)
OTHER INCOME (EXPENSES)				
Interest		(125,376)		(218,303)
Gain (loss) on settlement of liabilities		41,191		(35,612)
SR&ED expense		-		(5,947)
Foreign exchange loss		(10,870)		(6,868)
Other revenue		1,010		2,839
NET LOSS		(943,026)		(1,820,947)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment		(48,454)		7,102
COMPREHENSIVE LOSS	$	(991,480)	$	(1,813,845)
BASIC AND DILUTED LOSS PER SHARE	$	(0.008)	$	(0.022)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		122,489,440		84,543,878

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

HEALTHSPACE DATA SYSTEMS LTD.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended July 31, 2018 and 2017
Expressed in US Dollars

	Share capital					
	Number of shares	Amount	Contributed Surplus	Foreign currency translation adjustment	Deficit	Total
Balances, August 1, 2016	50,419,232	$ 2,673,318	$ 276,551	$ (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	-	-	228,816	-	-	228,816
Restricted share units granted as part of share based compensation	-	-	14,700	-	-	14,700
Other comprehensive loss	-	-	-	7,102	-	7,102
Net loss	-	-	-	-	(1,820,947)	(1,820,947)
Balance, July 31, 2017	92,702,438	$ 4,168,842	$ 520,067	$ (18,946)	$ (4,424,518)	$ 245,445
Balance, August 1, 2017	92,702,438	$ 4,168,842	$ 520,067	$ (18,946)	$ (4,424,518)	$ 245,445
Shares issued in private placement	27,600,000	1,489,502	-	-	-	1,489,502
Share issue costs - warrant	-	(25,873)	25,873	-	-	-
Share issue costs - cash	-	(50,482)	-	-	-	(50,482)
Convertible debenture exercised	9,550,000	761,338	-	-	-	761,338
Shares issued to settle debt	2,711,250	129,364	-	-	-	129,364
Shares issued pursuant to iGov asset purchase agreement	261,800	32,560	-	-	-	32,560
Exercise of warrants	5,485,000	212,789	-	-	-	212,789
Exercise of options	1,150,000	124,084	(50,562)	-	-	73,522
Exercise of restricted share units	212,500	17,235	(17,235)	-	-	-
Options granted as part of share based compensation	-	-	264,358	-	-	264,358
Restricted share units granted as part of share based compensation	-	-	110,410	-	-	110,410
Other comprehensive income	-	-	-	(48,454)	-	(48,454)
Net loss	-	-	-	-	(943,026)	(943,026)
Balance, July 31, 2018	**139,672,988**	**$ 6,859,359**	**$ 852,911**	**$ (67,400)**	**$ (5,367,544)**	**$ 2,277,326**

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

HEALTHSPACE DATA SYSTEMS LTD.
Consolidated Statements of Cash Flows
For the years ended July 31, 2018 and 2017
Expressed in US Dollars

	Year ended July 31, 2018	Year ended July 31, 2017
OPERATING ACTIVITIES		
Net loss	**$ (943,026)**	$ (1,820,947)
Adjustments:		
Amortization for property and equipment and intangible assets	**174,972**	176,147
Interest	**125,350**	218,303
(Gain) loss on settlement of liabilities	**(41,191)**	35,612
Share-based compensation	**374,768**	248,148
Other investing and financing items	**-**	642
	(309,127)	(1,142,095)
Change in operating working capital		
(Decrease) increase in accounts payable	**(531,282)**	316,051
(Decrease) increase in accounts receivable	**(131,478)**	75,886
Increase in other receivable	**-**	123,992
Increase (decrease) in deferred revenue	**71,227**	(91,444)
(Decrease) increase in prepaid and deposits	**(58,937)**	89,616
	(959,597)	(627,994)
INVESTING ACTIVITIES		
Acquisition of property and equipment	**(40,807)**	(3,723)
Acquisition of intangible assets	**(414,692)**	(148,145)
	(455,499)	(151,868)
FINANCING ACTIVITIES		
Payments on interest	**(122,444)**	(215,419)
Payments on finance lease obligations	**(8,162)**	(55,914)
Payments on debt	**(26,541)**	(1,601,024)
Proceeds from issuance of debt	**-**	1,094,224
Proceeds from exercise of warrants	**212,789**	108,856
Proceeds from exercise of options and restricted stock units	**73,522**	-
Proceeds from issuance of shares, net of issue costs	**1,439,020**	1,333,813
	1,568,184	664,536
Cash increase (decrease)	**153,088**	(115,327)
Effect of movements in exchange rates on cash	**17,394**	(71,306)
CASH AND CASH EQUIVALENTS, beginning of year	**161,851**	348,484
CASH AND CASH EQUIVALENTS, end of year	**$ 332,333**	$ 161,851

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, 2018 include the financial information of HealthSpace and its wholly owned subsidiary HealthSpace USA Inc.

Going Concern

As at July 31, 2018, the Company had a working capital deficiency of $675,648 (July 31, 2017 - deficiency of $1,378,049) 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 of 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

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”).

2. BASIS OF PREPARATION (continued)

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, 2018. These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 19, 2018.

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 licenses and deferred tax assets.

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 licenses.

Expressed in US Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017	$1.2485	$0.8010
July 31, 2018	$1.3017	$0.7682

Year averages	**US to CDN**	**CDN to US**
Year ended July 31, 2017	$1.3240	$0.7553
Year ended July 31, 2018	$1.2738	$0.7850

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

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

- Cash and cash equivalents are classified as "fair value through profit or loss" and measured at fair value.
- Accounts receivable are classified as "loans and receivables" and are measured at amortized cost. At July 31, 2018 and 2017, the recorded amounts approximate fair value.
- Accounts payable and accrued liabilities, notes payable and convertible debentures are classified as "other financial liabilities" and are measured at amortized cost. At July 31, 2018 and 2017, 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, 2018 and 2017, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

If the amount of the impairment decreases in a subsequent period and the decrease can be 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.

Cash and Cash Equivalents

Cash and cash equivalents 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. A customizable application is an internally developed software platform which has a finite useful life and is 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 Licenses

Software licenses include all costs incurred to acquire the licenses. The software licenses are recorded at cost and are 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 12. 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 amendments to standards that are effective for annual periods beginning on or after January 1, 2017. Adoption of these amendments did not have any material impact on the consolidated financial statements.

Amendments to IAS 7 – Statement of Cash Flows ("IAS 7")
The amendments in IAS 7 require additional disclosure of changes in liabilities arising from financing activities.

Amendments to IAS 12 – Income Taxes ("IAS 12")
The amendments to IAS 12 clarify the recognition of deferred tax assets for unrealized losses.

Accounting Standards and Amendments Issued But Not Yet Effective

IFRS 15 – Revenue from Contracts with Customers
In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact this standard may have on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards and Amendments Issued But Not Yet Effective (continued)

IFRS 9 – Financial Instruments ("IFRS 9")
The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments. The effective date for application of IFRS 9 is annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact this standard may have on its financial statements.

IFRS 7 – Financial instruments: Disclosure ("IFRS 7")
IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact this standard may have on its financial statements.

IFRS 2 – Share-based Payment ("IFRS 2")
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. The Company is currently evaluating the impact this standard may have on its financial statements.

IFRS 16 – Leases ("IFRS 16")
IFRS 16 was issued on January 13, 2016, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact this standard may have on its financial statements.

IFRIC 23 - Uncertainty Over Income Tax Treatments ("IFRIC 23")
IFRIC 23 clarifies application of the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is currently evaluating the impact this standard may have on its financial statements.

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, 2016	$	1,843,926
Effect of movement in exchange rates		82,241
Goodwill, July 31, 2017		1,926,167
Effect of movement in exchange rates		(78,874)
Goodwill, July 31, 2018	**$**	**1,847,293**

None of the goodwill recognized is expected to be deductible for tax purposes and, as of July 31, 2018 and 2017, no impairment has been identified.

5. PROPERTY AND EQUIPMENT

		Computer Hardware		Furniture and Equipment		Total
COST						
Balances, July 31, 2016	$	94,909	$	4,229	$	99,138
Additions		3,723		-		3,723
Effect of movement in exchange rates		3,873		-		3,873
Balance, July 31, 2017		102,505		4,229		106,734
Additions		40,807		-		40,807
Effect of movement in exchange rates		(4,554)		-		(4,554)
Balance, July 31, 2018	**$**	**138,758**	**$**	**4,229**	**$**	**142,987**
ACCUMULATED AMORTIZATION						
Balances, July 31, 2016	$	41,695	$	1,855	$	43,550
Amortization		16,502		475		16,977
Effect of movement in exchange rates		2,390		-		2,390
Balance, July 31, 2017		60,587		2,330		62,917
Amortization		19,077		379		19,456
Effect of movement in exchange rates		(2,469)		-		(2,469)
Balance, July 31, 2018	**$**	**77,195**	**$**	**2,709**	**$**	**79,904**
NET BOOK VALUE						
Balance, July 31, 2016	$	53,214	$	2,374	$	55,588
Balance, July 31, 2017	$	41,918	$	1,899	$	43,817
Balance, July 31, 2018	**$**	**61,563**	**$**	**1,520**	**$**	**63,083**

Expressed in US Dollars

6. INTANGIBLE ASSETS

COST	Unpatented technology	Customer relationships and contracts	Inspection application (Note 6a)	Customizable Application (Note 6b)	Total
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	11,517	40,632
Balance, July 31, 2017	127,170	32,088	514,701	216,924	890,883
Additions from acquisitions	-	-	-	-	-
Additions from internal development	-	-	-	414,692	414,692
Effect of movements in exchange rates	(5,207)	(1,314)	(21,076)	(14,242)	(41,839)
Balance, July 31, 2018	**$ 121,963**	**$ 30,774**	**$ 493,625**	**$ 617,374**	**$1,263,736**
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
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
Amortization	20,782	3,146	89,584	42,004	155,516
Effect of movements in exchange rates	(3,658)	(553)	(11,704)	(1,341)	(17,256)
Balance, July 31, 2018	**$ 95,342**	**$ 14,435**	**$ 315,730**	**$ 55,497**	**$ 481,004**
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	$ 202,090	$ 548,139
Balance, July 31, 2018	**$ 26,621**	**$ 16,339**	**$ 177,895**	**$ 561,877**	**$ 782,732**

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

Expressed in US Dollars

6. INTANGIBLE ASSETS (continued)

(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. Pursuant to the technology asset purchase agreement, the Company was required to:

- Issue common shares based on gross qualifying product licenses sold before January 1, 2017; and
- Pay a 10% royalty based on gross license revenues up to January 1, 2017.

During the year ended July 31, 2018, the Company made a final payment for the common share and royalty obligation of this agreement by issuing 261,800 shares at a market price of CAD$0.16 per share and paying $16,236 in cash. The Company recognized $18,217 in losses from the settlement of this agreement.

(b) Customizable application

The customizable application consists of internally developed software for which the Company capitalized $414,692 during the year ended July 31, 2018 (July 31, 2017 – $148,145).

7. SOFTWARE LICENSES

COST AND NET BOOK VALUE		**Licenses**
Balance, July 31, 2016	$	291,343
Effect of movements in exchange rates		12,994
Balance, July 31, 2017		304,337
Effect of movements in exchange rates		(12,462)
Balance, July 31, 2018	**$**	**291,875**

The Company 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 software licenses have an indefinite useful life and therefore are not amortized. During the year ended July 31, 2018, the current subscription and support contract was renewed for a year. The expense related to the maintenance contract is recorded as "Software Licenses" in the consolidated statement of loss and comprehensive loss.

Expressed in US Dollars

8. DEFERRED REVENUE

Deferred revenue represents customer payments received for rendering software services to be provided subsequent to the year ended July 31, 2018:

	July 31, 2018	July 31,2017
Current portion	**$ 517,216**	$ 477,997
Long-term portion	**32,008**	-
Total	**$ 549,224**	$ 477,997

9. NOTES PAYABLE

In 2009, one of the Company's debts was settled by a shareholder in the amount of CAD$25,715 on behalf of the Company. This note payable does not bear interest and is due on demand.

10. FINANCE LEASE OBLIGATIONS

The Company has leased computer hardware under two finance leases. At July 31, 2018, the net carrying amount of leased computer hardware included in property and equipment is $8,162 (July 31, 2017 - $12,203).

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	$ 3,944
Less: Imputed interest	(228)
Less: Current portion	(3,716)
Long-term portion	**$ -**

11. CONVERTIBLE DEBENTURES

	July 31, 2018	July 31, 2017
Convertible debentures – *Note 11(a)*	**$ -**	$ 30,525
Secured convertible debenture – *Note 11(b)*	**418,669**	1,195,092
Total convertible debentures	**418,669**	1,225,617
Less: Current portion	**418,669**	30,525
Long term portion	**$ -**	$ 1,195,092

11. CONVERTIBLE DEBENTURES (continued)

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. In January 2018 the convertible debenture was paid out.

11 (b)

The secured convertible debenture is with five (2017: seven) entities and has the following terms:

- At any time before September 29, 2018, the date the debenture is to be repaid, 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 common 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.
- 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.

11. CONVERTIBLE DEBENTURES (continued)

During the year ended July 31, 2018, CAD$955,000 of the convertible debenture was exercised and converted to common shares of the Company. As of July 31, 2018, the carrying value of convertible debentures is $418,669 (July 31, 2017 - $1,225,617). Interest is accrued on the principal amount of the debenture at a rate of 10% per annum, calculated and payable monthly on the first day of each month until September 29, 2018. As of July 31, 2018, the principal balance on the convertible debenture is CAD$545,000 (July 31, 2017 - CAD$1,500,000). Subsequent to the year ended July 31, 2018, the convertible debenture was paid out.

12. SHARE CAPITAL

(a) Common Shares – Authorized

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

(b) Issuances

Financings during the year ended July 31, 2018

- The Company issued 2,711,250 shares for debt to settle CAD$216,900 owed to consultants of the Company. The Company recorded a gain on debt settlement of $41,191.
- On October 31, 2017, the Company closed the first tranche of a non-brokered private placement of 1,850,000 units at a price of CAD$0.05, and on November 16, 2017, the second tranche of a non-brokered private placement of 15,150,000 units at a price of CAD$0.05 per unit. Gross proceeds of the private placement were CAD$850,000. Each unit consists of one common share and one transferable share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share for a period of twenty-four months at a price of CAD$0.05 per warrant share. The Company paid CAD$63,468 in share issue costs and granted 469,000 finders' warrants exercisable at a price of CAD$0.05 for a period of two years. The fair value of the finders' warrants of CAD$33,119 was calculated using the Black-Scholes option pricing model (Note 12(d)).
- On December 5, 2017 and December 21, 2017, the Company closed a private placement and issued 10,000,000 shares and 600,000 shares, respectively, at a price of CAD$0.10 per share for gross proceeds of CAD$1,060,000. The Company paid CAD$1,018 in share issue costs.
- The Company issued 261,800 shares pursuant to the technology asset purchase agreement (Note 6a) at a market price of CAD$0.16 per share.
- 9,550,000 shares were issued on partial exercise of the convertible debenture (Note 11b) at a price of CAD$0.10.
- 1,150,000 shares were issued on exercise of share purchase options at a price of CAD$0.08.
- 212,500 shares were issued on exercise of restricted shares units.
- 5,485,000 shares were issued on exercise of warrants at a price of CAD$0.05.

12. SHARE CAPITAL (continued)

(b) Issuances (continued)

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 CAD $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 CAD $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 CAD $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 CAD $0.075 for a period of twelve months. As part of this financing, the Company paid cash share issue costs of CAD $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 CAD $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 CAD$0.06 per share, for the settlement of CAD$69,400 in debt to three creditors for services provided to the Company.

(c) Share Purchase Options

During the year ended July 31, 2018, the following share purchase options were granted:

- On December 15, 2017, the Company granted 2,375,000 share purchase options to purchase common shares of the Company to directors, senior management, contractors and employees and exercisable at CAD$0.15 per share. Share purchase 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.
- On July 3, 2018, the Company granted 300,000 share purchase options to purchase common shares of the Company to a director and senior management and exercisable at CAD$0.08 per share. Share purchase options 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.

The fair values of the share purchase options granted, CAD$0.14 and CAD$0.05, were calculated using the Black-Scholes option pricing model with the following assumptions:

- Dates of grant – December 15, 2017 and July 3, 2018
- Risk free interest rate – 1.63% to 2.05%

Expressed in US Dollars

12. SHARE CAPITAL (continued)

(b) Share Purchase Options (continued)

- Expected volatility – 145% to 146%
- Expected life – 5 years
- Expected dividends - $Nil
- Share price – CAD$0.06 to CAD$0.16
- Exercise price – CAD$0.08 to CAD$0.15

Due to the limited historical published share prices available for the Company, historical volatility of similar entities was considered in determining the expected volatility.

During the year ended July 31, 2017, the following share purchase options were granted:

- On November 24, 2016, the Company granted 3,550,000 share purchase options to purchase common shares of the Company to directors, senior management, contractors and employees. Share purchase 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 purchase options to purchase common shares of the Company to contractors. Share purchase 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 purchase options outstanding as at July 31, 2018 and 2017:

Expiry date	Exercise price, CAD$	Number of options outstanding	Number of options exercisable	Weighted average remaining contractual life (in years)
November 30, 2020	$0.20	1,700,000	1,700,000	2.34
February 28, 2021	$0.20	420,000	369,375	2.58
November 24, 2021	$0.08	2,640,000	2,640,000	3.32
March 8, 2022	$0.08	75,000	75,000	3.61
December 15, 2022	$0.15	2,375,000	1,187,500	4.38
July 3, 2023	$0.08	300,000	300,000	4.93
Total		7,510,000	6,271,875	3.44

Expressed in US Dollars

12. SHARE CAPITAL (continued)

(b) Share Purchase Options (continued)

The following is a continuity of the share purchase options as at July 31, 2018 and 2017:

	Year ended July 31, 2018		Year ended July 31, 2017	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	6,345,000	$ 0.12	2,945,000	$ 0.20
Granted	2,675,000	$ 0.14	4,225,000	$ 0.06
Exercised	(1,150,000)	$ 0.08	-	$ -
Cancelled	(360,000)	$ 0.09	(825,000)	$ 0.20
Balance, end of period	**7,510,000**	**$ 0.14**	6,345,000	$ 0.12
Exercisable, end of period	**6,271,875**	**$ 0.13**	4,757,014	$ 0.13

During the year ended July 31, 2018, the Company recorded $264,358 (2017 - $228,816) in share-based expense related to share purchase options.

(c) Restricted Share Units

The following is a continuity of the Restricted Share Units ("RSUs") as at July 31, 2018 and 2017:

	Number of RSU outstanding	Number of RSU vested
Balance, July 31, 2016	-	-
Granted	1,200,000	300,000
Balance, July 31, 2017	1,200,000	300,000
Cancelled	(900,000)	-
Granted	1,100,000	537,500
Exercised	(212,500)	(112,500)
Balance, July 31, 2018	**1,187,500**	**725,000**

During the year ended July 31, 2018, the Company granted 1,100,000 RSUs vesting 25% every first four quarters from the date of grant. The Company recorded $110,411 (2017 - $14,700) of share-based payments relating to the vesting of RSUs during the period with a corresponding increase to contributed surplus.

12. SHARE CAPITAL (continued)

(c) Restricted Share Units (continued)

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

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

(d) Share Purchase Warrants

During the year ended July 31, 2018, as part of the private placement, the Company issued 17,000,000 transferable share purchase warrant. Each warrant entitles the holder to acquire one additional common share for a period of twenty-four months at a price of CAD$0.05 per warrant share. The Company issued 469,000 finders' warrants exercisable at a price of CAD$0.05 for a period of two years. The fair value of the warrants of CAD$33,119 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Date of grant – November 15, 2017
- Risk free interest rate – 1.43%
- Expected volatility – 146%
- Expected life – 2 years
- Expected dividends - $Nil
- Share price – CAD$0.09
- Exercise price – CAD$0.05

Due to the limited historical published share prices available for the Company, historical volatility of similar entities was considered in determining the expected volatility.

Expressed in US Dollars

12. SHARE CAPITAL (continued)

(d) Share Purchase Warrants (continued)

The following is a continuity of the share purchase warrants as at July 31, 2018 and 2017:

	Year ended July 31, 2018		Year ended July 31, 2017	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	**18,847,860**	**$ 0.08**	1,066,100	$ 0.20
Granted	**17,469,000**	**$ 0.05**	19,701,260	$ 0.08
Exercised	**(5,485,000)**	**$ 0.05**	(1,919,500)	$ 0.08
Expired	**(18,847,860)**	**$ 0.08**	-	-
Balance, end of period	**11,984,000**	**$ 0.05**	18,847,860	$ 0.08
Exercisable, end of period	**11,984,000**	**$ 0.05**	18,847,860	$ 0.08

The weighted average remaining life of the warrants outstanding as at July 31, 2018 is 1.29 years (2017 - 0.19 years).

13. RELATED PARTY TRANSACTIONS

Transactions with Directors and Management

As at July 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 year ended July 31, 2018, $196,350 (2017 - $348,270) 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 $321,919 (2017 - $230,909) for the year ended July 31, 2018.

During the year ended July 31, 2018, the Company recorded $137,835 (2017 - $49,510) in share-based compensation for the share purchase options granted to directors and officers of the Company.

Expressed in US Dollars

13. RELATED PARTY TRANSACTIONS (continued)

Transactions with Directors and Management (continued)

During the year ended July 31, 2018, the Company recorded $92,494 (2017 - $nil) in share-based compensation for the restricted share units granted to directors and officers of the Company.

Transactions with Lenders

During the year ended July 31, 2017, CAD$2,116,745 of notes payable and secured loans advanced were repaid. $42,050 of interest was paid on loans advanced by the same fund for the year ended July 31, 2017.

14. COMMITMENTS

At July 31, 2018, 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 lease as at July 31, 2018 is $68,400.

15. INCOME TAXES

The Company's deferred tax assets and liabilities are:

		July 31, 2018		July 31, 2017
Deferred tax liabilities				
Intangible assets	**$**	**(102,254)**	$	(76,762)
Software license inventory		**(78,806)**		(79,128)
Convertible debentures		**-**		(1,724)
		(181,060)		(157,613)
Deferred tax assets				
Property and equipment		**242,164**		237,890
Finance lease obligations		**1,003**		3,173
Share issue costs		**84,826**		68,280
Tax loss carry forward		**1,693,045**		1,595,693
		2,021,038		1,905,036
Net deferred tax assets (liabilities)		**1,839,978**		1,747,422
Valuation allowance		**(1,839,978)**		(1,747,422)
Net deferred tax assets (liabilities)	**$**	**-**	$	-

Expressed in US Dollars

15. INCOME TAXES (continued)

		Year Ended July 31, 2018		Year Ended July 31, 2017
Loss before income taxes	**$**	**(943,026)**	$	(1,820,947)
Combined federal and provincial statutory income tax rates		**26%**		26%
Recovery of income taxes based on combined statutory tax rate		**(245,186)**		(473,446)
Effect of rate in foreign jurisdictions		**37,960**		5,483
Net effect of deductible items		**151,210**		126,872
Change in valuation allowance		**92,556**		543,863
Current year deductible amounts		**(206,949)**		(75,964)
Change in unrecognized deferred tax assets and liabilities		**(92,556)**		(543,863)
Effect of current period losses not recognized		**262,965**		417,055
Provision for income taxes	**$**	**-**	$	-

As at July 31, 2018, the Company has unrecognized non-capital losses for income tax purposes of approximately $6.4 million that may be used to offset future taxable income. These non-capital losses, if not used, will expire between 2025 and 2038.

16. LOSS PER SHARE

The Company's financial instruments which could potentially dilute loss per share consist of the convertible debentures, common share purchase options, warrants and RSUs. The Company's convertible debentures, common share purchase options, warrants and RSUs are antidilutive for the year ended July 31, 2018 and year ended July 31, 2017. Therefore, the Company's diluted loss per share is equal to its basic loss per share.

17. OPERATING SEGMENTS

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

Expressed in US Dollars

17. OPERATING SEGMENTS (continued)

	Canada	**United States of America**	**Total**
For the year ended July 31, 2018			
External subscription revenues	$ 525,966	$ 1,498,888	$ 2,024,854
External contract and implementation revenues	$ 5,066	$ 170,110	$ 175,176
As at July 31, 2018			
Non-current assets			
Property and equipment	$ 59,449	$ 3,634	$ 63,083
Intangible assets	$ 621,262	$ 161,470	$ 782,732
Software license	$ 291,875	$ -	$ 291,875
Goodwill	$ 1,847,293	$ -	$ 1,847,293
Total assets	$ 3,055,065	$ 665,620	$ 3,720,685
Total liabilities	$ 1,042,450	$ 400,908	$ 1,443,358
For the year ended July 31, 2017			
External subscription revenues	$ 468,713	$ 1,310,081	$ 1,778,794
External contract and implementation revenues	$ 5,438	$ 129,011	$ 134,449
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	$ 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	$ 2,951,983

For the year ended July 31, 2018, revenues from two major customers in the United States of America represented approximately $720,901 (2017 - $718,929) of the Company's total revenues (Note 19).

18. MANAGEMENT OF CAPITAL

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

18. MANAGEMENT OF CAPITAL (continued)

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.

19. MANAGEMENT OF FINANCIAL RISK

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

Credit Risk

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

The Company's receivables consist of Goods and Services Tax due from the Federal Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at July 31, 2018 is $301,342 (July 31, 2017 - $170,047), representing customer accounts receivable.

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

For amounts due from customers, the Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required. When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues.

As at July 31, 2018, the Company's two largest customers accounted for $175,976 of accounts receivable (July 31, 2017 - $59,275).

19. MANAGEMENT OF FINANCIAL RISK (continued)

Interest Rate Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 18. Accounts payable and accrued liabilities, notes payable 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.

20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, the Company granted 1,035,000 share purchase options, with exercise price of CAD$0.08, and 2,100,000 restricted stock units to directors, officers and employees of the Company. The share purchase options and units have a term of five years.

In September 2018, the Company secured a convertible debenture in the principal amount of $500,000. The debenture, which will mature in 24 months and bear interest at a rate of 10% per annum, is convertible into common shares of the Company at $0.075 per share if converted within 12 months, and $0.10 if converted after 12 months. Additionally, the Company deferred the maturity of three existing convertible debentures, totalling $295,000, to September 29, 2020 and amended the terms of these debentures such that they are convertible into common shares of the Company at $0.075 per share if converted within 12 months, and $0.10 if converted after 12 months.

20. EVENTS AFTER THE REPORTING PERIOD (continued)

In September 2018, the Company issued 1,000,000 common shares to settle a third party accounts payable totaling $10,000.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.