

HEALTHSPACE DATA SYSTEMS LTD.

Consolidated Interim Financial Statements

For the six months ended January 31, 2019 and 2018
(Unaudited - Expressed in US dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

HEALTHSPACE DATA SYSTEMS LTD.
Consolidated Interim Statements of Financial Position
As at January 31, 2019
Unaudited, Expressed in US Dollars

As at	January 31, 2019	July 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 359,173	\$ 332,333
Accounts receivable	157,394	301,342
Prepaid and deposits	74,633	102,027
Total Current Assets	591,200	735,702
Property and equipment (Note 4)	212,921	63,083
Intangible assets (Note 5)	886,963	782,732
Goodwill (Note 3)	1,829,498	1,847,293
Software licenses (Note 6)	289,063	291,875
TOTAL ASSETS	\$ 3,809,645	\$ 3,720,685
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 368,169	\$ 434,457
Deferred revenue (Note 7)	639,546	517,216
Notes payable (Note 8)	19,564	19,754
Current portion of finance lease obligation (Note 9)	50,104	3,716
Current portion of convertible debentures (Note 10)	-	418,669
Share purchase liabilities	17,370	17,539
Total Current Liabilities	1,094,753	1,411,351
Deferred revenue (Note 7)	40,707	32,008
Finance lease obligations (Note 9)	89,196	-
Convertible debentures (Note 10)	604,836	-
Total long-term liabilities	734,739	32,008
TOTAL LIABILITIES	1,829,492	1,443,359
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	6,916,126	6,859,359
Options reserve	709,368	632,134
Restricted share unit reserve	158,472	107,875
Warrant reserve	150,770	112,902
Foreign currency translation adjustment	(88,879)	(67,400)
Deficit	(5,865,704)	(5,367,544)
TOTAL SHAREHOLDERS' EQUITY	1,980,153	2,277,326
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,809,645	\$ 3,720,685

Approved on behalf of the Board of Directors

"Ali Hakimzadeh" Director

"Alnesh Mohan" Director

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

HEALTHSPACE DATA SYSTEMS LTD.**Consolidated Interim Statements of Loss and Comprehensive Loss****For the three and six months ended January 31, 2019 and 2018***Unaudited, Expressed in US Dollars*

	Three months ended January 31,		Six months ended January 31,	
	2019	2018	2019	2018
REVENUE				
Subscriptions	\$ 493,945	\$ 493,032	\$ 1,046,303	\$ 956,727
Contract and implementation	36,659	69,640	61,674	87,120
Total Revenue	530,604	562,672	1,107,977	1,043,847
OPERATING EXPENSES				
Amortization	58,732	41,225	101,985	91,608
Advertising and promotion	60,094	24,686	220,883	50,003
Consulting fees (Note 12)	86,789	198,181	175,033	306,062
Filing fees and subscriptions	20,951	13,867	36,225	25,291
Insurance	30,955	27,295	60,424	52,851
Office expenses	16,313	7,136	40,395	15,582
Hosting and telecommunication	81,311	48,954	163,916	126,873
Software licenses	29,966	33,750	62,728	67,892
Professional fees (Note 12)	(1,929)	(14,038)	64,022	36,886
Rent	23,427	15,579	39,695	33,326
Salaries and wages (Note 12)	234,313	289,846	497,293	506,078
Share-based payments (Note 11(c), 12)	40,345	80,134	139,026	94,875
Total Operating Expenses	681,267	766,615	1,601,625	1,407,327
LOSS FROM OPERATIONS	(150,663)	(203,943)	(493,648)	(363,480)
OTHER INCOME (EXPENSES)				
Interest	(22,229)	(37,569)	(40,781)	(83,579)
Gain on settlement of liabilities	(285)	(241)	42,068	41,691
Foreign exchange loss	(1,880)	(3,640)	(5,913)	(4,227)
Other revenue	68	(17,891)	113	(17,867)
NET LOSS	(174,989)	(263,284)	(498,161)	(427,462)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment	(3,443)	82,164	(21,479)	61,540
COMPREHENSIVE LOSS	\$ (178,432)	\$ (181,120)	\$ (519,640)	\$ (365,922)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.001)	\$ (0.002)	\$ (0.004)	\$ (0.004)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
	141,016,466	120,335,764	140,649,075	107,592,797

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

HEALTHSPACE DATA SYSTEMS LTD.

Consolidated Interim Statements of Changes in Shareholders' Equity

For the six months ended January 31, 2019 and 2018

Unaudited, Expressed in US Dollars

	Share capital			Foreign currency translation adjustment	Deficit	Total
	Number of shares	Amount	Contributed Surplus			
Balance, July 31, 2017	92,702,438	\$ 4,168,842	\$ 520,067	\$ (18,946)	\$ (4,424,518)	\$ 245,445
Shares issued in the first tranche of the private placement	27,600,000	1,502,172	-	-	-	1,502,172
Warrants issued to finders	-	(26,941)	26,941	-	-	-
Cash share issue costs	-	(69,349)	-	-	-	(69,349)
Shares issued for debt	2,711,250	129,364	-	-	-	129,364
Shares issued pursuant to iGov asset purchase agreement	261,800	32,560	-	-	-	32,560
Share options exercised	1,150,000	124,970	-	-	-	124,970
Restricted share units exercised	112,500	6,111	(6,111)	-	-	-
Convertible debentures exercised	9,550,000	761,338	-	-	-	761,338
Share-based payments	-	-	45,855	-	-	45,855
Foreign currency translation adjustment recognized directly in equity	-	-	(296)	-	-	(296)
Other comprehensive loss	-	-	-	61,540	-	61,540
Net loss	-	-	-	-	(427,462)	(427,462)
Balance, January 31, 2018	134,087,988	\$ 6,629,067	\$ 586,456	\$ 42,594	\$ (4,851,980)	\$ 2,406,137
Balance, July 31, 2018	139,372,988	\$ 6,859,359	\$ 852,911	\$ (67,400)	\$ (5,367,543)	\$ 2,277,327
Shares issued to settle debt	1,000,000	34,124	-	-	-	34,124
Warrants issued for services	-	-	37,868	-	-	37,868
Warrants exercised	300,000	11,448	-	-	-	11,448
Options granted as part of share-based payments	-	-	77,234	-	-	77,234
Restricted share units granted as part of share-based payments	-	-	50,597	-	-	50,597
Restricted share units exercised	100,000	11,195	-	-	-	11,195
Other comprehensive income	-	-	-	(21,479)	-	(21,479)
Net loss	-	-	-	-	(498,161)	(498,161)
Balance, January 31, 2019	140,772,988	\$ 6,916,126	\$ 1,018,610	\$ (88,879)	\$ (5,865,704)	\$ 1,980,153

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

HEALTHSPACE DATA SYSTEMS LTD.
Consolidated Interim Statements of Cash Flows
For the six months ended January 31, 2019 and 2018
Expressed in US Dollars

	Six months ended January 31,	
	2019	2018
OPERATING ACTIVITIES		
Net loss	\$ (498,161)	\$ (427,462)
Adjustments:		
Amortization for property and equipment and intangible assets	101,985	91,608
Interest	-	4,958
(Gain) loss on settlement of liabilities	42,502	(41,691)
Share-based payments	139,026	96,351
Foreign exchange	5,913	-
	(244,744)	(276,236)
Change in operating working capital		
(Decrease) increase in accounts payable	(74,665)	(453,940)
(Decrease) increase in accounts receivable	143,948	(113,046)
Increase (decrease) in deferred revenue	131,029	(128,070)
(Decrease) increase in prepaid and deposits	65,262	(14,720)
	56,839	(986,012)
INVESTING ACTIVITIES		
Acquisition of property and equipment	(174,462)	(28,546)
Acquisition of intangible assets	(181,592)	(88,404)
	(356,054)	(116,950)
FINANCING ACTIVITIES		
Finance lease	135,584	(4,036)
Convertible debenture issued	186,167	-
Share options exercised	-	73,522
Warrants exercised	11,448	-
Proceeds from issuance of shares, net of issue costs	-	1,502,173
	333,199	1,571,659
Cash increase (decrease)	33,984	468,697
Effect of movements in exchange rates on cash	(7,144)	28,920
CASH AND CASH EQUIVALENTS, beginning of period	332,333	161,851
CASH AND CASH EQUIVALENTS, end of period	\$ 359,173	\$ 659,468

The accompanying notes are an integral part of these consolidated interim 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 interim financial statements for the six months ended January 31, 2019 include the financial information of HealthSpace and its wholly owned subsidiary HealthSpace USA Inc.

Going Concern

As at January 31, 2019, the Company had a working capital deficiency of \$503,553 (July 31, 2018 - \$675,648) 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 interim financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated interim financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue its operations in the normal course of business.

2. BASIS OF PREPARATION

Statement of Compliance

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

2. BASIS OF PREPARATION (continued)

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

Except as noted below, these consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements for the year ended July 31, 2018 and should be read in conjunction with those audited consolidated financial statements. These consolidated interim financial statements were approved by the Board of Directors and authorized for issue on March 29, 2019.

Basis of Measurement

These consolidated interim 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.

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 Interim statements of loss and comprehensive loss.

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

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Consolidated Interim Financial Statements
For the six months ended January 31, 2019 and 2018
Unaudited, Expressed in US Dollars

2. BASIS OF PREPARATION (continued)

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

Period end dates	US to CDN	CDN to US
July 31, 2018	\$1.3017	\$0.7682
January 31, 2019	\$1.3144	\$0.7608

Period averages	US to CDN	CDN to US
Six months ended January 31, 2018	\$1.3216	\$0.7567
Six months ended January 31, 2019	\$1.3167	\$0.7596

3. 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, 2017	\$ 1,926,167
Effect of movement in exchange rates	(78,874)
Goodwill, July 31, 2018	\$ 1,847,293
Effect of movement in exchange rates	(17,795)
Goodwill, January 31, 2019	\$ 1,829,498

None of the goodwill recognized is expected to be deductible for tax purposes and, as of January 31, 2019, no impairment has been identified.

4. PROPERTY AND EQUIPMENT

	Computer Hardware	Furniture and Equipment	Total
COST			
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
Additions	174,797	-	174,797
Effect of movement in exchange rates	(793)	-	(793)
Balance, January 31, 2019	\$ 312,762	\$ 4,229	\$ 316,991

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Consolidated Interim Financial Statements
For the six months ended January 31, 2019 and 2018
Unaudited, Expressed in US Dollars

4. PROPERTY AND EQUIPMENT (continued)

ACCUMULATED AMORTIZATION	Computer Hardware	Furniture and Equipment	Total
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
Amortization	24,472	152	24,624
Effect of movement in exchange rates	(458)	-	(458)
Balance, January 31, 2019	\$ 101,209	\$ 2,861	\$ 104,070
NET BOOK VALUE			
Balance, July 31, 2017	\$ 41,918	\$ 1,899	\$ 43,817
Balance, July 31, 2018	\$ 61,563	\$ 1,520	\$ 63,083
Balance, January 31, 2019	\$ 211,553	\$ 1,368	\$ 212,921

5. INTANGIBLE ASSETS

COST	Unpatented technology	Customer relationships and contracts	Inspection application (Note 5(a))	Customizable Application (Note 5(b))	Total
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
Additions from acquisitions	-	-	-	-	-
Additions from internal development	-	-	-	187,475	187,475
Effect of movements in exchange rates	(1,176)	(297)	(4,756)	(4,103)	(10,332)
Balance, January 31, 2019	\$ 120,787	\$ 30,477	\$ 488,869	\$ 800,746	\$1,440,879

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Consolidated Interim Financial Statements
For the six months ended January 31, 2019 and 2018
Unaudited, Expressed in US Dollars

5. INTANGIBLE ASSETS (continued)

ACCUMULATED AMORTIZATION AND IMPAIRMENT						
	Unpatented technology	Customer relationships and contracts	Inspection application (Note 5(a))	Customizable Application (Note 5(b))	Total	
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	
Amortization	10,050	1,521	29,024	36,763	77,358	
Effect of movements in exchange rates	(903)	(137)	(2,997)	(409)	(4,446)	
Balance, January 31, 2019	\$ 104,489	\$ 15,819	\$ 341,757	\$ 91,851	\$ 553,916	
NET BOOK VALUE						
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	
Balance, January 31, 2019	\$ 16,298	\$ 14,658	\$ 147,112	\$ 708,895	\$ 886,963	

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

(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. During the year ended July 31, 2018 the Company recognized \$18,217 in losses from the settlement of this agreement.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Consolidated Interim Financial Statements
For the six months ended January 31, 2019 and 2018
Unaudited, Expressed in US Dollars

5. INTANGIBLE ASSETS (continued)

(b) Customizable application

The customizable application consists of internally developed software.

6. SOFTWARE LICENSES

COST AND NET BOOK VALUE	Licenses
Balance, July 31, 2017	\$ 304,337
Effect of movements in exchange rates	(12,462)
Balance, July 31, 2018	\$ 291,875
Effect of movements in exchange rates	(2,812)
Balance, January 31, 2019	\$ 289,063

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 interim statements of loss and comprehensive loss.

7. DEFERRED REVENUE

Deferred revenue represents customer payments received for rendering software services to be provided subsequent to the six months ended January 31, 2019:

	January 31, 2019	July 31, 2018
Current portion	\$ 639,546	\$ 517,216
Long-term portion	40,707	32,008
Total	\$ 680,253	\$ 549,224

8. 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.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Consolidated Interim Financial Statements
For the six months ended January 31, 2019 and 2018
Unaudited, Expressed in US Dollars

9. FINANCE LEASE OBLIGATIONS

The Company has leased computer hardware under two finance leases. At January 31, 2019, the net carrying amount of leased computer hardware included in property and equipment is \$151,856 (July 31, 2018 - \$8,162). During the six months ended January 31, 2019 one finance lease was paid in full. Lease term of the second lease is three years. Interest rate underlying the obligations under this lease is 14%.

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

2019	\$	33,062
2020		66,121
2021		66,121
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Less: Imputed interest		(26,004)
Less: Current portion		(50,104)
Long-term portion	\$	89,196
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10. CONVERTIBLE DEBENTURES

	January 31, 2019	July 31, 2018
Convertible debentures – <i>Note 10(a)</i>	\$ 604,836	\$ -
Secured convertible debenture – <i>Note 10(b)</i>	-	418,669
Total convertible debentures	604,836	418,669
Less: Current portion	-	418,669
Long term portion	\$ 604,836	\$ -

10 (a)

In September 2018, the Company secured a convertible debenture in the principal amount of CAD\$500,000. The debenture, which will mature in 24 months and bear interest 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 (Note 10(b)), totaling CAD\$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.

10. CONVERTIBLE DEBENTURES (continued)

10 (b)

The secured convertible debenture was with five (2018: seven) entities and had 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.

During the six months ended January 31, 2019 the Company deferred the maturity of three existing convertible debentures (Note 11(a)), totaling CAD\$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. 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, 2020.

During the six months ended January 31, 2019 the Company paid out two convertible debentures totaling CAD\$250,000.

11. SHARE CAPITAL

(a) Common Shares – Authorized

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

11. SHARE CAPITAL (continued)

(b) Issuances

Issued during the six months ended January 31, 2019

- In December 2018 100,000 shares were issued on exercise of restricted shares units.
- In November 300,000 shares were issued on exercise of warrants at a price of \$0.05.
- In September 2018, the Company issued 1,000,000 common shares to settle a third-party accounts payable totaling CAD\$100,000.

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.

(c) Share Purchase Options

During the six months ended January 31, 2019 the Company granted 1,535,000 share purchase options, with exercise price of CAD\$0.08, to directors, officers, employees and consultants of the Company. The share purchase options have a term of five years.

11. SHARE CAPITAL (continued)

(c) Share Purchase Options (continued)

The fair values of the share purchase options granted range from CAD\$0.035 to CAD\$0.044, were calculated using the Black-Scholes option pricing model with the following assumptions:

- Dates of grant – September 5, 2018, September 11, 2018 and December 18, 2018
- Risk free interest rate – from 1.95% to 2.21%
- Volatility – from 144% to 150%
- Market price of the shares on the grant date – from \$0.04 to \$0.05
- Expected dividends - \$Nil
- Expected life – 5 years
- Exercise price – CAD\$0.08

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%
- Expected volatility – 145% to 146%
- Expected life – 5 years
- Expected dividends - \$Nil
- Market price of the shares on the grant date – 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.

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11. SHARE CAPITAL (continued)

(c) Share Purchase Options (continued)

The following is a continuity of the share purchase options as at January 31, 2019 and July 31, 2018:

	Six months ended January 31, 2019		Year ended July 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	7,510,000	\$ 0.14	6,345,000	\$ 0.12
Granted	1,535,000	\$ 0.08	2,675,000	\$ 0.14
Exercised	-	-	(1,150,000)	\$ 0.08
Cancelled	(500,000)	\$ 0.14	(360,000)	\$ 0.09
Balance, end of period	8,545,000	\$ 0.13	7,510,000	\$ 0.14
Exercisable, end of period	8,528,125	\$ 0.13	6,271,875	\$ 0.13

During the six months ended January 31, 2019, the Company recorded \$77,234 (2018 - \$94,875) in share-based payments expense related to share purchase options.

(d) Restricted Share Units

During the six months ended January 31, 2019, the Company granted 2,100,000 RSUs to directors, officers and employees of the Company, 25% vesting immediately and 25% every six months thereafter.

The following is a continuity of the Restricted Share Units ("RSUs") as at January 31, 2019:

	Number of RSU outstanding
Balance, July 31, 2017	1,200,000
Cancelled	(900,000)
Granted	1,100,000
Exercised	(212,500)
Balance, July 31, 2018	1,187,500
Granted	2,100,000
Exercised	(100,000)
Balance, January 31, 2019	3,187,500
Exercisable, January 31, 2019	1,612,500

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11. SHARE CAPITAL (continued)

(c) Restricted Share Units (continued)

The Company recorded \$61,792 (2018 - \$nil) of share-based payments relating to the vesting of RSUs during the six months ended January 31, 2019 with a corresponding increase to contributed surplus.

(d) Share Purchase Warrants

During the six months ended January 31, 2019 the Company issued 1,500,000 share purchase warrants. Each warrant entitles the holder to acquire one additional common share for a period of three years at a price of CAD\$0.075 per warrant share. The fair value of the warrants of \$38,357 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Date of grant – September 13, 2018
- Risk free interest rate – 2.12%
- Expected volatility – 1446%
- Expected life – 3 years
- Expected dividends - \$Nil
- Share price – CAD\$0.05
- Exercise price – CAD\$0.075

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 six months ended January 31, 2019 300,000 warrants were exercised at \$0.05 per warrant. The following is a continuity of the share purchase warrants as at January 31, 2019 and July 31, 2018:

	Six months ended		Year ended	
	January 31, 2019		July 31, 2018	
	Number of	Weighted	Number of	Weighted
	Warrants	Average	Warrants	Average
		Exercise Price		Exercise Price
Balance, beginning of period	11,984,000	\$ 0.05	18,847,860	\$ 0.08
Granted	1,500,000	\$ 0.075	17,469,000	\$ 0.05
Exercised	(300,000)	\$ 0.05	(5,485,000)	\$ 0.05
Expired	-	\$ -	(18,847,860)	\$ 0.08
Balance, end of period	13,184,000	\$ 0.05	11,984,000	\$ 0.05
Exercisable, end of period	13,184,000	\$ 0.05	11,984,000	\$ 0.05

11. SHARE CAPITAL (continued)

(d) Share Purchase Warrants (continued)

The weighted average remaining life of the warrants outstanding as at January 31, 2019 is 0.99 years (July 31, 2018 - 1.29 years).

12. RELATED PARTY TRANSACTIONS

Transactions with Directors and Management

As at January 31, 2019, accounts payable and accrued liabilities included \$nil (July 31, 2018 - \$nil) owing to directors, officers and companies controlled by directors and officers.

For the six months ended January 31, 2019, \$100,172 (2018 - \$70,777) 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 who have the authority and responsibility for planning, directing and controlling the activities of the Company, were \$77,820 (2018 - \$121,229) for the six months ended January 31, 2019.

During the six months ended January 31, 2019 \$22,227 (2018 - \$nil) was capitalized to customizable application (note 5(b)).

During the six months ended January 31, 2019, the Company recorded \$77,074 (2018 - \$45,458) in share-based payments for the share purchase options and restricted share purchase units granted to directors and officers of the Company.

13. COMMITMENTS

At January 31, 2019, the Company has lease commitments related to the purchase of computer hardware (Note 9).

The Company has entered into agreements for the rental of premises. The minimum future annual payments under the lease as at January 31, 2019 is \$41,900.

14. 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 six months ended January 31, 2019 and 2018. Therefore, the Company's diluted loss per share is equal to its basic loss per share.

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15. OPERATING SEGMENTS

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

	Canada	United States of America	Total
For the six months ended January 31, 2019			
Subscription revenues	\$ 245,219	\$ 801,084	\$ 1,046,303
Contract and implementation revenues	\$ 2,279	\$ 59,395	\$ 61,674
For the six months ended January 31, 2018			
Subscription revenues	\$ 257,736	\$ 698,991	\$ 956,727
Contract and implementation revenues	\$ 5,129	\$ 81,991	\$ 87,120
For the three months ended January 31, 2019			
Subscription revenues	\$ 122,927	\$ 371,018	\$ 493,945
Contract and implementation revenues	\$ 2,279	\$ 34,380	\$ 36,659
For the three months ended January 31, 2018			
Subscription revenues	\$ 140,136	\$ 352,896	\$ 493,032
Contract and implementation revenues	\$ 5,129	\$ 64,511	\$ 69,640
As at January 31, 2019			
<i>Non-current assets</i>			
Property and equipment	\$ 209,792	\$ 3,129	\$ 212,921
Intangible assets	\$ 678,508	\$ 208,455	\$ 886,963
Software license	\$ 289,063	\$ -	\$ 289,063
Goodwill	\$ 1,829,498	\$ -	\$ 1,829,498
<i>Total assets</i>	\$ 3,298,272	\$ 511,373	\$ 3,809,645
<i>Total liabilities</i>	\$ 1,375,520	\$ 453,972	\$ 1,829,492
As at July 31, 2018			
<i>Non-current assets</i>			
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
<i>Total assets</i>	\$ 3,055,065	\$ 665,620	\$ 3,720,685
<i>Total liabilities</i>	\$ 1,042,450	\$ 400,908	\$ 1,443,358

For the six months ended January 31, 2019, revenues from two major customers in the United States of America represented approximately \$346,425 (2018 - \$361,876) of the Company's total revenues.

16. MANAGEMENT OF CAPITAL

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

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

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

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

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

17. 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 amounts receivable from customers. The Company's maximum exposure to credit risk as at January 31, 2019 is \$157,394 (July 31, 2018 - \$301,342), representing customer accounts receivable.

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, 2019, the Company's two largest customers accounted for \$148,829 of accounts receivable (July 31, 2018 - \$175,976).

17. 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 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 16. 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 9. Convertible debentures are due based on the terms disclosed in Note 10.

Other Market Risk

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