

HEALTHSPACE DATA SYSTEMS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED APRIL 30, 2019

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

GENERAL

The following is management's discussion and analysis ("MD&A") of HealthSpace Data Systems Ltd.'s ("HealthSpace" or the "Company") operating and financial results for the nine months ended April 30, 2019, as well as information and expectations concerning the Company's outlook based on currently available information. This report is dated June 27, 2019.

This MD&A should be read in conjunction with the Company's consolidated interim financial statements for the nine months ended April 30, 2019. Additional information is available at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

1. SUMMARY OF OPERATIONS, EVENTS AND FUTURE PLANS

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

HealthSpace was formed on May 15, 2015 on the amalgamation of NST Holdings Ltd. ("NST") and its wholly owned subsidiary companies, HealthSpace Informatics Ltd. ("HealthSpace 2009"), HealthSpace Informatics USA Inc. ("HealthSpace USA"), Joule Microsystems Inc. and Joule Biosystems Inc. NST was incorporated in the Province of British Columbia, Canada on October 31, 2014. HealthSpace 2009 was incorporated in the Province of British Columbia, Canada on July 31, 2009, on the amalgamation of HealthSpace Integrated Solutions Ltd. and Joule Microsystems Canada Inc. HealthSpace USA was incorporated in the State of Virginia on December 28, 2000.

2. DESCRIPTION OF BUSINESS

HealthSpace is Software as a Service ("SaaS") provider that offers a suite of products to State and Local government agencies across the United States and Canada. The products offered create numerous efficiencies for these agencies that included time and cost savings, proactive reporting and tracking, detailed surveillance of private businesses, and quick implementation time of complex software. HealthSpace's product suite includes a configurable enterprise cloud-based data management and mobile inspection apps for iPad, Android and Windows operating systems. These are necessary facets for the agencies allowing them to license, invoice and inspect various private sector businesses ranging from restaurants to farms, daycares to tattoo parlors, septic to building companies and a myriad of others. Historically, HealthSpace has provided its solutions exclusively to Environmental and Public Health, but it is now offering its solutions to Agriculture, Code Enforcement, Building and Septic agencies in the same regions.

In addition to its core SaaS market, the Company is now developing a proprietary payments solution to create a governmental FinTech platform for online and mobile payments. This new platform will revolutionize the way State and Local governments agencies collect revenue from private businesses they regulate. This new platform will target the tens of billions of dollars these agencies charge to private businesses to allow them to operate. These charges include annual licensing fees, such as a restaurant permit, as well as application fees, fines and more. The Company will be able to share in the revenue through a profit share from payment processors and convenience fees charged to the local business. This new line of revenue is not only accretive to its current market, but also has the ability to far exceed the amount of revenue generated from software sales.

The Company's products are unique to the industry in that they are easy to implement, fully Cloud based and can be configured on-the-fly. Government agencies have to be adaptable to change, whether that be new laws enacted, or proactively working to prevent issues such as foodborne illness outbreaks. The Company facilitates and exceeds these needs by providing a software suite that is adaptable to the environment it's deployed in. Changing governmental codes, business requirements and more is all done with a click of a mouse within the Company's proprietary Form Builder application.

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

The governmental market that HealthSpace targets spends billions of dollars every year on IT solutions that address the very needs and challenges the Company's products solve. Within State and Local agencies, there's a vast opportunity to capture the revenue rich and underserved agencies that require complex software needs, but desire to do so in a way that is comparable to SaaS companies that sell into the private sector. Because of that, the Company has increased its salesforce, market presence and rapidly built up its product offerings in order to capture a larger portion of this market.

Technology and Infrastructure

HSTouch

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

HSCloud

The HSCloud product is a full enterprise software system for license, invoice and inspection data, specifically designed for use by government agencies. The HSCloud is 100% browser based which can be immediately implemented for a customer. The HSCloud was also designed with tools that allow the customer to configure all aspects of the system as needed for their own unique business requirements. These configurations include setting programs, permit types, regulatory and violation code libraries, field types, printed output and even the ability to add new screens/tables to the system structure. This software is a different direction than the legacy product. Being cloud based allows for quick and easy implementations and better flexibility for the customers. During fiscal 2017-2018, HSCloud extended its use by adding a suite of new features including financial collection tools, bulk data processing utilities, and new user workflow features. HSCloud also includes the HSTouch application and an advanced data management system called HSData.

EnviroIntel EHS Manager

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

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

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

The system supports function-based security, where a user can be granted any combination of functions such as read only, create only, update only, no deletes, all functions based on their specific operational needs. Complete audit trails of system changes are maintained and available to the system administrator. Specifics relating to the business processes and practices for the health departments are determined during the configuration/implementation phases.

Research and Development

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

FinTech Platform

HealthSpace entered into a partner agreement with PayPal in order to create a unique and proprietary payment solution that streamlines and digitizes the revenue collection for the agencies it serves. This new platform will allow government to realize revenue faster, provide easier methods of payment to private businesses, and greatly extend the revenue generation abilities of the Company. This new platform also creates a unique selling point that no other vendor offers, which creates a future opportunity for the Company to white-label the solution to larger software providers who manage larger regulatory agencies outside of the Company's purview.

Open-source Web Platform (MyHealthDepartment.com)

HealthSpace is developing sophisticated public facing web platform for business owners under the regulatory aegis of HealthSpace's clients. The platform will be multi-functional and allow users to apply for services, download inspection reports and permits, review the status of applications and streamline communication with the regulating agency. This portal will also integrate the new FinTech platform to allow businesses to pay their fees through online and mobile platforms. The result of this continuing development is that regulatory organizations can provide much faster service to their stakeholders at no cost to the organization. In turn, private businesses are provided a tool not yet available in today's market, especially across multiple jurisdictions.

Infrastructure

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

Mobile Devices

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

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

Data Analytics

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

Blockchain

HealthSpace extended its blockchain technology by allowing it to be implemented fully inside its HSCloud product. This positions HealthSpace to be on the doorstep of commercialization of its blockchain protocol. Once it has been validated further under environmental health department trials, HealthSpace intends to open-source the protocol to other industries with audit and inspection needs similar to that of a health department. The blockchain solution will be industry agnostic and applicable to larger markets over time which extends its ability to be monetized well beyond HealthSpace's current market.

Intellectual Property

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

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

3. SELECTED ANNUAL INFORMATION

The following table provides a summary of the Company's financial operations for the three most recently completed fiscal years. For more detailed information pertaining to the Company, please see HealthSpace's annual audited consolidated financial statements for the years ended July 31, 2018, 2017 and 2016.

Year ended July 31,	2018	2017	2016
Revenue	\$ 2,200,030	\$ 1,913,243	\$ 1,938,711
Operating expenses	3,049,011	3,470,299	3,279,063
Other income (expenses)	(94,045)	(263,891)	(6,162)
Net loss	(943,026)	(1,820,947)	(1,346,514)
Loss per share, basic and fully diluted	(0.01)	(0.02)	(0.03)
Operating cash	332,333	161,851	348,484
Working capital deficiency	(675,649)	(1,378,049)	(2,372,301)
Total assets	3,720,685	3,197,429	3,555,335
Total long-term liabilities	32,008	1,198,967	11,689
Shareholders' equity (deficiency)	\$ (2,277,326)	\$ 245,445	\$ 320,250

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

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

4. DISCUSSION OF OPERATIONS

Following is a discussion of the Company's financial results for the nine months ended April 30, 2019, compared to the same period in the prior fiscal year. The consolidated interim financial statements of the Company for the nine months ended April 30, 2019 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All inter-company balances and transactions have been eliminated upon.

Revenue

	Nine months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 1,498,438	\$ 1,511,726	\$ (13,288)	-1%
Contract and implementation	166,739	95,834	70,905	74%
Total	\$ 1,665,177	\$ 1,607,560	\$ 57,617	4%

During the nine months ended April 30, 2019, the consolidated revenues increased by \$57,617, compared to the same period of the prior year. The revenues related to subscriptions increased by \$70,905. The increase is mainly due to acquisition of new customers in the United States and increased sales activities while maintaining the current customer base in Canada.

	Three months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 452,135	\$ 554,999	\$ (102,864)	-19%
Implementation	105,065	8,714	96,351	1,106%
Total	\$ 557,200	\$ 563,713	\$ (6,513)	-1%

During the three months ended April 30, 2019, the total revenues stayed approximately the same as in the same period of the previous year. The change in implementation revenue is due to the varying amount of implementation fees charged to each customer. This amount varies based upon a number of factors such as business requirements, implementation complexity and data transition size.

Revenues and Direct Costs

	Nine months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Revenue	\$ 1,665,177	\$ 1,607,560	\$ 57,617	4%
Software licenses	94,789	99,177	(4,388)	-4%
Hosting and telecommunication	261,130	202,215	58,915	29%
Net revenue	\$ 1,309,258	\$ 1,306,168	\$ 3,090	0%

The revenues over direct costs for the nine months ended April 30, 2019 stayed approximately the same compared to the previous year. Direct costs of software licenses are incurred in CAD and depend on the exchange rates. Hosting costs increased as the Company is optimizing its data and hosting expenses by distributing them between Canada and the United States.

HEALTHSPACE DATA SYSTEMS LTD.**Management's Discussion and Analysis**

For the nine months ended April 30, 2019

(Expressed in US dollars)

	Three months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Revenue	\$ 557,200	\$ 563,713	\$ (6,513)	-1%
Software licenses	32,061	31,285	776	2%
Hosting and telecommunication	97,214	75,342	21,872	29%
Net revenue	\$ 427,925	\$ 457,086	\$ (29,161)	-6%

The revenues over direct costs for the three months ended April 30, 2019 decreased by 6% compared to the same period of the previous year. Hosting costs increased as the Company is optimizing its data and hosting expenses by distributing them between Canada and the United States.

Revenue by geographic region

CANADA	Nine months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 377,389	\$ 394,648	\$ (17,259)	-4%
Implementation	2,270	5,107	(2,837)	-56%
Total, Canada	\$ 379,659	\$ 399,755	\$ (20,096)	-5%
% of Total	23%	25%	-2%	-

UNITED STATES	Nine months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 1,121,049	\$ 1,117,078	\$ 3,971	0%
Implementation	164,469	90,727	73,742	81%
Total, United States	\$ 1,285,518	\$ 1,207,805	\$ 77,713	6%
% of Total	77%	75%	2%	-
TOTAL	\$ 1,665,177	\$ 1,607,560	\$ 57,617	4%

During the nine months ended April 30, 2019, total revenues in Canada stayed approximately the same compared to revenues during the nine months ended April 30, 2018.

During the nine months ended April 30, 2018, the revenues in the United States increased by \$77,213. The increase is mainly due to acquisition of new US customers in prior period.

Canadian and United States revenues accounted for 23% and 77%, respectively, of total revenues during the nine months ended April 30, 2019, approximately the same as during the comparative period of the previous year.

HEALTHSPACE DATA SYSTEMS LTD.**Management's Discussion and Analysis**

For the nine months ended April 30, 2019

(Expressed in US dollars)

CANADA	Three months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 132,170	\$ 136,912	\$ (4,742)	-3%
Implementation	(9)	(22)	13	-59%
Total, Canada	\$ 132,161	\$ 136,890	\$ (4,729)	-3%
% of Total	24%	24%	-1%	-

UNITED STATES	Three months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 319,965	\$ 418,087	\$ (98,122)	-23%
Implementation	105,074	8,736	96,338	1,103%
Total, United States	\$ 425,039	\$ 426,823	\$ (1,784)	0%
% of Total	76%	76%	1%	-
TOTAL	\$ 557,200	\$ 563,713	\$ (6,513)	-1%

During the three months ended April 30, 2019, total revenues in Canada stayed approximately the same compared to revenues during the three months ended April 30, 2018. During the three months ended April 30, 2019, the revenues in the United States related to implementation increased by \$96,338. The revenue related to subscription decreased during the three months ended April 30, 2019 compared to the same period of the previous year.

Canadian and United States revenues accounted for 24% and 76%, respectively, of total revenues during the three months ended April 30, 2019, approximately the same as during the comparative period of the previous year.

Selling and Marketing

	Nine months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Advertising and promotion	\$ 274,249	\$ 164,938	\$ 109,311	66%
Sales commission	16,313	8,374	7,939	95%
Total	\$ 290,562	\$ 173,312	\$ 117,250	68%

During the nine months ended April 30, 2019, selling and marketing expenses increased by \$117,250 compared to the previous year. The Company is currently implementing a new marketing campaign related to a new line of software which is based on blockchain technology.

	Three months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Advertising and promotion	\$ 65,474	\$ 120,759	\$ (55,285)	-46%
Sales commission	4,205	2,549	1,656	65%
Total	\$ 69,679	\$ 123,308	\$ (53,629)	-43%

During the three months ended April 30, 2019, selling and marketing expenses decreased by \$53,629 compared to the previous year. The Company was implementing a new marketing campaign related to a new line of software which is based on blockchain technology during the previous period.

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

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

	Nine months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Consulting fees	\$ 293,131	\$ 442,830	\$ (149,699)	-34%
Filing fees and subscriptions	46,481	37,883	8,598	23%
Insurance	91,390	75,089	16,301	22%
Office expenses	49,346	26,620	22,726	85%
Professional fees	114,764	89,372	25,392	28%
Rent	65,853	50,397	15,456	31%
Salaries and wages	719,154	774,025	(54,871)	-7%
Total Operating expenses	\$ 1,380,119	\$ 1,496,216	\$ (116,097)	-8%

During the nine months ended April 30, 2019, G&A expenses decreased by 8% or by \$116,097 to \$1,380,119 from \$1,496,216 incurred during the same period of the prior year. The decrease is mainly comprised of decrease in consulting expense.

	Three months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Consulting fees	\$ 118,098	\$ 136,768	\$ (18,670)	-14%
Filing fees and subscriptions	10,256	12,593	(2,337)	-19%
Insurance	30,966	22,238	8,728	39%
Office expenses	8,951	11,038	(2,087)	-19%
Professional fees	50,742	52,486	(1,744)	-3%
Rent	26,158	17,071	9,087	53%
Salaries and wages	221,861	267,947	(46,086)	-17%
Total Operating expenses	\$ 467,032	\$ 520,141	\$ (53,109)	-10%

During the three months ended April 30, 2019, G&A expenses decreased by 10% or by \$53,109 to \$520,141 from \$467,032 incurred during the same period of the prior year. The decrease is mainly comprised of decrease in consulting and salaries and wages expenses.

Interest and financing costs

	Nine months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Interest	\$ 61,813	\$ 90,970	\$ (29,157)	-32%
Factoring fee	1,221	19,605	(18,384)	-94%
Total	\$ 63,034	\$ 110,575	\$ (47,541)	-43%

Interest and financing costs for the nine months ended April 30, 2019 decreased by \$47,541 or 43% to \$63,034 from \$110,575 during the same period of the prior year. The decrease in interest was primarily due to the repayment of higher interest secured loans during 2018 and decrease in factoring expense.

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

	Three months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Interest	\$ 22,253	\$ 20,071	\$ 2,182	11%
Factoring fee	-	6,925	(6,925)	-100%
Total	\$ 22,253	\$ 26,996	\$ (4,743)	-18%

Interest and financing costs for the three months ended April 30, 2019 decreased by \$4,743 or 18% to \$22,253 from \$26,996 during the same period of the prior year. The decrease in interest was primarily due to the repayment of higher interest secured loans during 2018.

Net Loss

	Nine months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Net Loss from operations	\$ 678,014	\$ 789,076	\$ 111,062	-14%
Net Loss	705,506	882,422	176,916	-20%
Net Loss per share	\$ 0.005	\$ 0.006	\$ (0.001)	-10%
Basic and diluted number of shares outstanding	140,830,131	141,103,325		

Loss from operations during the nine months ended April 30, 2019 decreased by \$111,062 or 14% to \$678,014 from a loss of \$789,076 in the same period of the prior year. The decrease in the loss from operations is mainly due to increase in contract and implementation revenue and decrease in advertising and promotion and share-based payments. Net loss during the nine months ended April 30, 2019 decreased by \$176,916 or 20% to \$705,506 from \$882,422 during the same period of the prior year.

	Three months ended April 30		Variance from 2018 to 2019	
	2019	2018		
Net Loss from operations	\$ 184,366	\$ 425,596	\$ (241,230)	-57%
Net Loss	207,345	454,960	(247,615)	-54%
Net Loss per share	\$ 0.001	\$ 0.003	\$ (0.002)	-56%
Basic and diluted number of shares outstanding	141,103,325	135,641,078		

Loss from operations during the three months ended April 30, 2018 decreased by \$241,230 or 57% to \$184,366 from a loss of \$425,596 in the same period of the prior year. The decrease in the loss from operations is mainly due to increase in contract and implementation revenue and decrease in advertising and promotion and share-based payments. Net loss during the three months ended April 30, 2019 decreased by \$247,615 or 54% to \$207,345 from \$454,960 during the same period of the prior year.

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

5. SELECTED QUARTERLY INFORMATION

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

Quarter ended	April 30, 2019	January 31, 2019	October 31, 2018	July 31, 2018
Revenues	\$ 557,200	\$ 530,604	\$ 577,373	\$ 592,470
Operating expenses	741,566	681,267	920,358	652,375
Net Loss from operations	(184,366)	(150,663)	(342,985)	(59,905)
Net loss	(207,345)	(174,989)	(323,172)	(60,604)
Net loss per share	\$ (0.001)	\$ 0.001	\$ 0.002	\$ 0.000

Quarter ended	April 30, 2018	January 31, 2018	October 31, 2017	July 31, 2017
Revenues	\$ 563,713	\$ 562,672	\$ 481,175	\$ 458,339
Operating expenses	989,309	766,615	640,712	607,121
Net Loss from Operations	(425,596)	(203,943)	(159,537)	(148,782)
Net loss	(454,960)	(263,284)	(164,178)	(253,798)
Net loss per share	\$ 0.003	\$ 0.002	\$ 0.002	\$ 0.003

6. CONSOLIDATED FINANCIAL POSITION

	April 30, 2019	July 31, 2018	Variance
Working capital deficit	\$ (845,757)	\$ (675,649)	\$ (170,108)
Property and equipment	232,475	63,083	169,392
Intangible assets	981,774	782,732	199,042
Software license	283,060	291,875	(8,815)
Goodwill	1,791,504	1,847,293	(55,789)
Total long-term assets	3,288,813	2,984,983	303,830
Deferred revenue	27,222	32,008	(4,786)
Loan facilities			
Finance lease obligations (long-term)	73,997	-	73,997
Convertible debentures (long-term)	592,275	-	592,275
Total long-term liabilities	693,494	32,008	661,486
Lease obligations, including current term and commitments	\$ 127,760	\$ 3,716	\$ 124,044

Property and Equipment and Intangible Assets

Long-term assets increased by \$303,830 at April 30, 2019 compared to July 31, 2018. The increase is mainly due to development costs capitalized and the change in exchange rates during the period ended April 30, 2019. The change in exchange rates resulted in increase on translation of long-term assets, particularly goodwill, denominated in Canadian dollars.

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

Software License Inventory

As at April 30, 2018, the Company had \$283,060 in Software Licenses compared to \$291,875 at July 31, 2018. There was no change in the number of licenses held by the Company and the change was a function of the stronger Canadian dollar as at April 30, 2019 as compared to July 31, 2018.

The Company has entered into an agreement with IBM Canada to be an authorized service provider. As part of this agreement, the Company currently holds 3,043 usage licenses and 1,100 server processor licenses from IBM Canada and is authorized to distribute the usage licenses to clients of the Company. These licenses remain under the control of the Company and are property of the Company as long as the Company holds a maintenance contract with IBM Canada.

Convertible Debenture

In September 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, 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.

7. CAPITAL RESOURCES AND LIQUIDITY

	Nine months ended April 30,	
	2019	2018
Net cash flows provided by (used in) operating activities	\$ 37,030	\$ (988,450)
Net cash flows used in investing activities	(535,960)	(205,517)
Net cash flows provided by financing activities	309,842	1,747,671
Net increase(decrease) in cash	(189,088)	553,704
Effect of exchange rate changes on cash	5,115	28,311
Cash at beginning of period	332,333	161,851
Cash at end of period	\$ 148,360	\$ 743,866

The Company has experienced working capital deficits for some time as a result of its growth strategy and acquisitions of technology. Long term contractual obligations are present in the form of capital leases and convertible debentures. As of April 30, 2019, there was one lease agreement outstanding with a total payable of \$124,760.

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

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

Despite these challenges, with recent sales efforts and the release of new technologies, the Company foresees strong growth in its revenues. In November 2017, the Company begun to prototype their iOS and Windows inspection applications to implement blockchain technology. Blockchain serves as the next technological revolution for storing and sharing distributed data that has multiple sources of input. This provides capability for transferring any digital data between multiple participants in a secure and auditable fashion.

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

Working Capital

As at April 30, 2019, the Company had a working capital deficiency of \$845,757. This was a decrease of \$170,109 over the working capital deficit of \$675,648 as at July 31, 2018. This deficit was financed by the convertible debentures issued in September 2018.

Convertible Debentures

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 at a rate of 10% per annum, is convertible into common shares of the Company at \$0.075 per share if converted with 12 months, and \$0.10 if converted after 12 months. Additionally, the Company deferred the maturity of three existing convertible debentures, 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 with 12 months, and \$0.10 if converted after 12 months.

8. FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

As at April 30, 2019, the Company has not entered into any derivative or other off-balance sheet arrangements.

9. RELATED PARTY TRANSACTIONS

Transactions with Directors and Management

As at April 30, 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 nine months ended April 30, 2019, \$149,637 (2018 - \$204,210) in consulting and professional 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 \$91,432 (2018 - \$108,265) for the nine months ended April 30, 2019.

During the nine months ended April 30, 2019 \$32,865 (2018 - \$nil) was capitalized to customizable application (note 5(b) of the financial statements for the nine months ended April 30, 2019).

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

During the nine months ended April 30, 2019, the Company recorded \$28,486 (2018 - \$99,483) in share-based payments for the share purchase options and restricted share purchase units granted to directors and officers of the Company.

10. 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 are measured at fair value.
- Accounts receivable classified as "loans and receivables" and are measured at amortized cost. At April 30, 2019, 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 April 30, 2019, the recorded amounts approximate fair value.

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

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

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

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At April 30, 2019, there were no financial assets or liabilities measured and recognized in the consolidated statement of financial position at fair value that would have been categorized as Level 2 or 3 in the fair value hierarchy above.

11. RISK MANAGEMENT

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

Credit Risk

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

The Company's receivables consist of Goods and Services Tax due from the Federal Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at April 30, 2019 is \$256,584 (July 31, 2018 - \$301,342), representing accounts receivable.

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

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 April 30, 2019, \$nil of customer receivables are past due (July 31, 2018 - \$nil).

The majority of the Company's customer receivables are due from customers in the United States of America. As at April 30, 2019, the Company's two largest customers accounted for \$164,267 of accounts receivable (July 31, 2018 - \$175,976).

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 16 of the consolidated interim financial statements for the nine months ended April 30, 2019. 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 of the Company's consolidated interim financial statements. Convertible debentures are due based on the terms disclosed in Note 10 of the Company's consolidated interim financial statements.

Other Market Risk

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

Business Risk Factors

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

- The Company's financial results may fail to meet or exceed expectations of securities analysts or investors.
- The market for the Company's products or technology platform may not develop or perform as expected.
- The Company's data collection and analysis systems may contain material defects or we may otherwise deliver inaccurate information.

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

- The Company may deliver, or be perceived to deliver, inaccurate information to our customers.
- The Company's customer base consists exclusively of government bodies, whose budgets and mandates are subject to change.
- The Company may experience customer dissatisfaction or loss from changes to our methodologies or scope of information the Company collects.
- The Company may provide poor service or the Company's products may not comply with customer agreements.
- The Company may not be able to compete successfully against the Company's current and future competitors which would harm the Company's ability to retain and acquire customers.
- Any actual or perceived violations of privacy laws or perceived misuse of data could cause public relations problems and could impair the Company's ability to obtain user responses of sufficient size and scope.
- Any unauthorized disclosure or theft of private information the Company may gather could harm the Company's business.
- The Company may encounter difficulties managing its growth.
- The Company may fail to successfully market and develop its brand.
- The Company may fail to effectively expand its sales and marketing capabilities.
- The Company may experience system failures or delays in operation of our computer and communication systems.
- The Company may experience interruptions or delays in services it receives from third-party service providers, or from its own facilities, to host and deliver its products.
- The Company may fail to respond to technological developments.
- The Company may fail to protect and enforce its intellectual property rights.
- The Company may be subjected to costly and time-consuming litigation or expensive licenses from assertions of intellectual property infringement from third parties.
- Laws, regulations or enforcement actions may limit the Company's ability to collect and use information from Web users or restrict or prohibit its product offerings.
- The Company is dependent on the continued growth of the Web as a medium for widespread commerce, content, advertising and communications.
- The Company may experience an inability to attract or retain qualified personnel.
- The Company may be unsuccessful in its expansion through investments in, acquisitions of, or development of new products, or such effort may divert its management's attention.
- Changes in, or interpretations of, accounting methods or policies may require the Company to reclassify, restate, or otherwise change or revise the Company's interim consolidated financial statements.
- The Company may have inadequate internal control over financial reporting or significant existing or potential deficiencies or material weaknesses in such controls that it is not currently aware of.
- The Company may require additional capital to support business growth, and this capital may not be available on acceptable terms or at all.
- A market may not continue to develop or exist for the Company's common shares.
- The Company may lack coverage by securities or industry analysts who publish research or reports about its business or such analysts may issue adverse or misleading opinions concerning the Company.
- The Company's insiders have substantial control over HealthSpace, which could limit other shareholders' influence on the outcome of key transactions.
- The Company's management has broad discretion over use of proceeds.
- The Company may issue additional shares in an equity/debt financing that may have the effect of diluting the interest of its shareholders.

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

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- The Company may issue additional debt which may or may not be on favorable terms.
 - The Company may not be able to service the debt outstanding or issued in the future.
 - The Company has incurred and will continue to incur increased costs and demands upon management as a result of becoming a public company.
 - The Company does not anticipate paying dividends to common shareholders in the foreseeable future.
 - The Company's technology is based in part on a 3rd party platform, which may become obsolete, resulting in a lack of competitiveness.
 - Intellectual property protection (such as trademarks, copyrights and patent applications) may not be granted.

12. OUTSTANDING SHARE DATA

Authorized Capital

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

Issued and Outstanding Shares

As at April 30, 2019 and June 27, 2019, the Company had 141,072,988 shares issued and outstanding

The following is a continuity of the share options as at April 30 and June 27, 2019:

	Number of Options	Weighted average exercise price
Balance, July 31, 2017	6,345,000	\$ 0.12
Exercisable, July 31, 2017	4,757,014	\$ 0.13
Cancelled	(360,000)	\$ 0.09
Granted	2,675,000	\$ 0.14
Exercised	(1,150,000)	\$ 0.08
Balance, July 31, 2018	7,510,000	\$ 0.14
Exercisable, July 30, 2018	6,271,875	\$ 0.13
Cancelled	(500,000)	\$ 0.14
Granted	1,535,000	\$ 0.08
Balance, April 30 and June 27, 2019	8,545,000	\$ 0.13
Exercisable, April 30, 2019 and June 27, 2019	8,545,000	\$ 0.13

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2019

(Expressed in US dollars)

The following is a continuity of the warrants as at April 30 and June 27, 2019:

	Number of Warrants	Weighted average exercise price
Balance, July 31, 2017	18,847,860	\$ 0.08
Expired	(18,847,860)	\$ 0.08
Granted	17,469,000	\$ 0.05
Exercised	(5,485,000)	\$ 0.05
Balance, July 31, 2018	11,984,000	\$ 0.05
Granted	1,500,000	\$ 0.075
Exercised	(300,000)	\$ 0.05
Balance, April 30 and June 27, 2019	13,184,000	\$ 0.05

The following is a continuity of the restricted share units (RSU) as at April 30 and June 27, 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, April 30 and June 27, 2019	3,187,500
Vested, April 30, 2019 and June 27, 2019	2,137,500