

**HEALTHSPACE DATA SYSTEMS LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED JULY 31, 2019

# HEALTHSPACE DATA SYSTEMS LTD.

## Management's Discussion and Analysis

For the year ended July 31, 2019

(Expressed in US dollars)

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### 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 year ended July 31, 2019, as well as information and expectations concerning the Company's outlook based on currently available information. This report is dated November 19, 2019.

This MD&A should be read in conjunction with the Company's consolidated financial statements for the year ended July 31, 2019. Additional information is available at [www.sedar.com](http://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.

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### 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.

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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.

#### *HS Cloud*

The HS Cloud product is a full enterprise software system for license, invoice and inspection data, specifically designed for use by government agencies. The HS Cloud is 100% browser based which can be immediately implemented for a customer. The HS Cloud 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, HS Cloud extended its use by adding a suite of new features including financial collection tools, bulk data processing utilities, and new user workflow features. HS Cloud 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.

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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.

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### *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,	2019	2018	2017
Revenue	\$ 2,586,241	\$ 2,200,030	\$ 1,913,243
Operating expenses	3,218,586	3,049,011	3,470,299
Other income (expenses)	(121,052)	(94,045)	(263,891)
Net loss	(753,397)	(943,026)	(1,820,947)
Loss per share, basic and fully diluted	(0.01)	(0.01)	(0.02)
Operating cash	122,370	332,333	161,851
Working capital deficiency	(804,652)	(675,649)	(1,378,049)
Total assets	4,061,695	3,720,685	3,197,429
Total long-term liabilities	707,353	32,008	1,198,967
Shareholders' equity (deficiency)	\$ (1,784,860)	\$ (2,277,326)	\$ 245,445

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.

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### 4. DISCUSSION OF OPERATIONS

Following is a discussion of the Company's financial results for the year ended July 31, 2019, compared to the same period in the prior fiscal year. The consolidated financial statements of the Company for the year ended July 31, 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.

#### *Revenue recognition*

The Company adopted IFRS 9 *Revenues from contracts with customers* effective August 1, 2018. The Company generates revenues from providing software services, principally through software access licenses and subscription fees, and related support and maintenance services to customers. Revenues from these services are recognized on a systematic basis over the contractual term for which the services are provided. The Company also generates revenues from the initial setup, customization and implementation of its software which are recognized when performance of these services is complete and control has been transferred to the customer.

Payment for initial setup, customization and implementation is typically due when these services have been provided by the Company. Payment for subscription and related support and maintenance services is typically due at the start of the contract period and generally covers one year of service.

#### *Revenue*

	Year ended July 31		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 1,953,181	\$ 2,024,854	\$ (71,673)	-4%
Contract and implementation	633,060	175,176	457,884	261%
<b>Total</b>	<b>\$ 2,586,241</b>	<b>\$ 2,200,030</b>	<b>\$ 386,211</b>	<b>18%</b>

During the year ended July 31, 2019, the consolidated revenues increased by \$386,211, compared to the prior year. The revenues related to subscriptions decreased by \$71,673 and the revenue related to contract implementation increased by \$457,884. The change in the structure of the revenue is mainly attributable to transitioning current clients to a new software system based on the cloud platform. During the transition current clients are given discounts. Significant increase in contract and implementation revenue in part is coming from new customers acquired in the United States.

	Three months ended July 31		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 454,743	\$ 513,128	\$ (58,385)	-11%
Implementation	466,321	79,342	386,979	488%
<b>Total</b>	<b>\$ 921,064</b>	<b>\$ 592,470</b>	<b>\$ 328,594</b>	<b>55%</b>

During the three months ended July 31, 2019, the total revenues increased significantly as compared to the total revenue of the prior 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

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business requirements, implementation complexity and data transition size. Another reason for increase in implementation is due to acquiring new clients in the United States.

#### Revenues and Direct Costs

	Year ended July 31		Variance from 2018 to 2019	
	2019	2018		
Revenue	\$ 2,586,241	\$ 2,200,030	\$ 386,211	18%
Software licenses	126,661	126,989	(328)	0%
Hosting and telecommunication	338,239	304,760	33,479	11%
Net revenue	\$ 2,121,341	\$ 1,768,281	\$ 353,060	20%

The revenues over direct costs for the year ended July 31, 2019 increased significantly compared to the previous year. Direct costs of software licenses are incurred in CAD and depend on the exchange rates. Hosting costs increased slightly as the Company is optimizing its data and hosting expenses by distributing them between Canada and the United States.

	Three months ended July 31		Variance from 2018 to 2019	
	2019	2018		
Revenue	\$ 921,064	\$ 592,470	\$ 328,594	55%
Software licenses	31,872	27,812	4,060	15%
Hosting and telecommunication	77,109	102,545	(25,436)	-25%
Net revenue	\$ 812,083	\$ 462,113	\$ 349,970	76%

The revenues over direct costs for the three months ended July 31, 2019 increased by 76% compared to the previous year. Hosting costs decreased as the Company completed optimization of its data and hosting expenses by distributing them between Canada and the United States during the period ended July 31, 2019.

#### Revenue by geographic region

<b>CANADA</b>	Year ended July 31		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 478,280	\$ 525,966	\$ (47,686)	-9%
Implementation	4,535	5,066	(531)	-10%
Total, Canada	\$ 482,815	\$ 531,032	\$ (48,217)	-9%
% of Total	19%	24%	-12%	

<b>UNITED STATES</b>	Year ended July 31		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 1,474,901	\$ 1,498,888	\$ (23,987)	-2%
Implementation	628,525	170,110	458,415	269%
Total, United States	\$ 2,103,426	\$ 1,668,998	\$ 434,428	26%
% of Total	81%	76%	112%	-
<b>TOTAL</b>	\$ 2,586,241	\$ 2,200,030	\$ 386,211	18%



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During the year ended July 31, 2019, total revenues in Canada decreased slightly compared to the revenues during the year ended July 31, 2018.

During the year ended July 31, 2019, the total revenues in the United States increased by \$434,428. The increase is mainly due to acquisition of new US customers in the current period and completion initial set-up and implementation services for new customers.

Canadian and United States revenues accounted for 19% and 81%, respectively, of total revenues during the year ended July 31, 2019. The revenue shifted towards revenue generated from the United States clients.

<b>CANADA</b>	Three months ended July 31		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 100,891	\$ 131,318	\$ (30,427)	-23%
Implementation	2,265	(41)	2,306	-5624%
Total, Canada	\$ 103,156	\$ 131,277	\$ (28,121)	-21%
% of Total	11%	22%	-9%	-

  

<b>UNITED STATES</b>	Three months ended July 31		Variance from 2018 to 2019	
	2019	2018		
Subscriptions	\$ 353,852	\$ 381,810	\$ (27,958)	-7%
Implementation	464,056	79,383	384,673	485%
Total, United States	\$ 817,908	\$ 461,193	\$ 356,715	77%
% of Total	89%	78%	109%	-

  

<b>TOTAL</b>	\$ 921,064	\$ 592,470	\$ 328,594	55%
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During the three months ended July 31, 2019, total revenues in Canada decreased slightly compared to revenues during the three months ended July 31, 2018. During the three months ended July 31, 2019, the revenues in the United States related to implementation increased by \$384,673. The revenue related to subscription decreased during the three months ended July 31, 2019 compared to the same period of the previous year.

Canadian and United States revenues accounted for 11% and 89%, respectively, of total revenues during the three months ended July 31, 2019, approximately the same as during the comparative period of the previous year.

#### *Selling and Marketing*

	Year ended July 30		Variance from 2018 to 2019	
	2019	2018		
Advertising and promotion	\$ 275,050	\$ 298,591	\$ (23,541)	-8%
Sales commission	29,417	11,291	18,126	161%
Total	\$ 304,467	\$ 309,882	\$ (5,415)	-2%

During the year ended July 31, 2019, selling and marketing expenses stated approximately the same compared to the previous year. The Company is shifting its marketing strategy having sales agents working with clients on a one by one basis.

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	Three months ended July 31		Variance from 2018 to 2019	
	2019	2018		
Advertising and promotion	\$ 22,207	\$ 148,124	\$ (125,917)	-85%
Sales commission	13,104	2,917	10,187	349%
<b>Total</b>	<b>\$ 35,311</b>	<b>\$ 151,041</b>	<b>\$ (115,730)</b>	<b>-77%</b>

During the three months ended July 31, 2019, selling and marketing expenses decreased by \$115,730 compared to the same period of the previous year. The Company is shifting its marketing strategy having sales agents working with clients on a one by one basis.

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

	Year ended July 31		Variance from 2018 to 2019	
	2019	2018		
Consulting fees	\$ 382,483	\$ 445,589	\$ (63,106)	-14%
Filing fees and subscriptions	64,928	53,824	11,104	21%
Insurance	130,160	101,516	28,644	28%
Office expenses	69,555	38,236	31,319	82%
Professional fees	220,637	131,001	89,636	68%
Rent	92,850	71,597	21,253	30%
Salaries and wages	1,075,083	876,180	198,903	23%
<b>Total Operating expenses</b>	<b>\$ 2,035,696</b>	<b>\$ 1,717,943</b>	<b>\$ 317,753</b>	<b>18%</b>

During the year ended July 31, 2019, G&A expenses increased by 18% or by \$317,753 to \$2,035,696 from \$1,717,943 incurred during the same period of the prior year. The increase is mainly comprised of increase in salaries and wages expense related to support and maintenance of the software.

	Three months ended July 31		Variance from 2018 to 2019	
	2019	2018		
Consulting fees	\$ 89,352	\$ 2,759	\$ 86,593	3139%
Filing fees and subscriptions	18,447	15,941	2,506	16%
Insurance	38,770	26,427	12,343	47%
Office expenses	20,209	11,616	8,593	74%
Professional fees	105,873	41,629	64,244	154%
Rent	26,997	21,200	5,797	27%
Salaries and wages	355,929	102,155	253,774	248%
<b>Total Operating expenses</b>	<b>\$ 655,577</b>	<b>\$ 221,727</b>	<b>\$ 433,850</b>	<b>196%</b>

During the three months ended July 31, 2019, G&A expenses increased by 196% or by \$433,850 to \$655,577 from \$221,727 incurred during the same period of the prior year. The increase is mainly comprised of increase in consulting and salaries and wages expenses.

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#### Interest and financing costs

	Year ended July 31		Variance from 2018 to 2019	
	2019	2018		
Interest	\$ 85,638	\$ 106,014	\$ (20,376)	-19%
Factoring fee	28,866	19,362	9,504	49%
Total	\$ 114,504	\$ 125,376	\$ (10,872)	-9%

Interest and financing costs for the year ended July 31, 2019 decreased by \$10,872 or 9% to \$114,504 from \$125,376 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.

	Three months ended July 31		Variance from 2018 to 2019	
	2019	2018		
Interest	\$ 23,825	\$ 14,801	\$ 9,024	61%
Factoring fee	27,645	-	27,645	100%
Total	\$ 51,470	\$ 14,801	\$ 36,669	248%

Interest and financing costs for the three months ended July 31, 2019 increased by \$36,669 to \$51,470 from \$14,801 during the same period of the prior year. The increase in factoring was primarily due to the using short term resources to finance immediate financial needs.

#### Net Loss

	Year ended July 31		Variance from 2018 to 2019	
	2019	2018		
Net Loss from operations	\$ 632,345	\$ 848,981	\$ (216,636)	-26%
Net Loss	753,397	943,026	(189,629)	-20%
Net Loss per share	\$ 0.005	\$ 0.008	\$ (0.003)	-38%
Basic and diluted number of shares outstanding	140,917,920	122,489,440		

Loss from operations during the year ended July 31, 2019 decreased by \$216,636 or 26% to \$632,345 from a loss of \$848,981 in 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 year ended July 31, 2019 decreased by \$189,629 or 20% to \$753,397 from \$943,026 during the prior year.

	Three months ended July 31		Variance from 2018 to 2019	
	2019	2018		
Net (gain) loss from operations	\$ (45,669)	\$ 59,905	\$ 105,574	-176%
Net Loss	47,891	60,604	(12,713)	-21%
Net Loss per share	\$ 0.000	\$ 0.000	\$ (0.001)	-22%
Basic and diluted number of shares outstanding	141,172,988	139,711,031		

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Loss from operations during the three months ended July 31, 2018 decreased by \$105,574 or 176% resulting in gain of \$45,669 during the three months ended July 31, 2019. 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 July 31, 2019 decreased by \$12,713 or 21% to \$47,891 from \$60,604 during the same period of the prior year.

#### 5. SELECTED QUARTERLY INFORMATION

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

Quarter ended	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018
Revenues	\$ 921,064	\$ 557,200	\$ 530,604	\$ 577,373
Operating expenses	875,395	741,566	681,267	920,358
Net gain (loss) from operations	45,669	(184,366)	(150,663)	(342,985)
Net loss	(47,891)	(207,345)	(174,989)	(323,172)
Net loss per share	\$ (0.001)	\$ (0.001)	\$ (0.001)	\$ (0.002)

Quarter ended	July 31, 2018	April 30, 2018	January 31, 2018	October 31, 2017
Revenues	\$ 592,470	\$ 563,713	\$ 562,672	\$ 481,175
Operating expenses	652,375	989,309	766,615	640,712
Net loss from Operations	(59,905)	(425,596)	(203,943)	(159,537)
Net loss	(60,604)	(454,960)	(263,284)	(164,178)
Net loss per share	\$ (0.001)	\$ (0.003)	\$ (0.002)	\$ (0.002)

#### 6. CONSOLIDATED FINANCIAL POSITION

	July 31, 2019	July 31, 2018	Variance
Working capital deficit	\$ (804,652)	\$ (675,649)	\$ (129,003)
Property and equipment	224,866	63,083	161,783
Intangible assets	953,995	782,732	171,263
Software license	288,987	291,875	(2,888)
Goodwill	1,829,017	1,847,293	(18,276)
Total long-term assets	3,296,865	2,984,983	311,882
Deferred revenue	41,228	32,008	9,220
Loan facilities			
Finance lease obligations (long-term)	61,448	-	61,448
Convertible debentures (long-term)	604,677	-	604,677
Total long-term liabilities	707,353	32,008	675,345
Lease obligations, including current term and commitments	\$ 115,070	\$ 3,716	\$ 111,354

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### *Property and Equipment and Intangible Assets*

Long-term assets increased by \$311,882 at July 31, 2019 compared to July 31, 2018. The increase is mainly due to development costs capitalized, the acquisition of computer hardware by means of a finance lease, and the change in exchange rates during the period ended July 31, 2019. The change in exchange rates resulted in increase on translation of long-term assets, particularly goodwill, denominated in Canadian dollars.

### *Software License Inventory*

As at July 31, 2018, the Company had \$288,987 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 July 31, 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

	Years ended July 31,	
	2019	2018
Net cash flows provided by (used in) operating activities	\$ 156,020	\$ (959,597)
Net cash flows used in investing activities	(413,764)	(455,499)
Net cash flows provided by financing activities	43,876	1,568,184
Net increase(decrease) in cash	(213,868)	153,088
Effect of exchange rate changes on cash	3,905	17,394
Cash at beginning of period	332,333	161,851
Cash at end of period	\$ 122,370	\$ 332,333

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.

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.

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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 began 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 July 31, 2019, the Company had a working capital deficiency of \$804,652. This was an increase of \$129,003 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 issued a secured 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 July 31, 2019, the Company has not entered into any derivative or other off-balance sheet arrangements.

## **9. RELATED PARTY TRANSACTIONS**

As at July 31, 2019, accounts payable and accrued liabilities included \$29,512 (July 31, 2018 - \$Nil) owing to directors, officers and companies controlled by directors and officers.

For the year ended July 31, 2019, \$187,438 (2018 - \$196,350) 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 \$358,125 (2018- \$321,919) for the year ended July 31, 2019.

During the year ended July 31, 2019, the Company recorded \$62,582 (2018 - \$137,835) in share-based compensation for the vesting of share purchase options granted to directors and officers of the Company.

During the year ended July 31, 2019, the Company recorded \$33,078 (2018 - \$92,494) in share-based compensation for restricted share units granted to directors and officers of the Company.

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### 10. FINANCIAL INSTRUMENTS

The Company adopted IFRS 9 *Financial Instruments* effective August 1, 2018. The adoption of IFRS 9 did not result in any material changes to the measurement or presentation of financial instruments in the Company's consolidated financial statements.

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value, plus transaction costs if the financial instrument is not subsequently measured at fair value through profit and loss.

Financial assets are measured subsequently at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit and loss ("FVTPL") based on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Financial assets which are investments in equity instruments are measured subsequently at FVTPL unless they are not held for trading and are designated as FVOCI. Financial liabilities are measured subsequently at amortized cost, except for derivatives and certain other specified exceptions measured at FVTPL.

The Company classifies its financial instruments as follows:

<b>Financial instrument</b>	<b>Previous classification under IAS 39</b>	<b>Current classification under IFRS 9</b>
Cash and cash equivalents	FVTPL	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Notes payable	Other financial liabilities	Amortized cost
Finance lease obligations	Other financial liabilities	Amortized cost
Share purchase liabilities	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost

Financial instruments classified as amortized cost are measured at amortized cost using the effective interest method, adjusted as required for credit-impaired financial assets.

Financial assets measured at amortized cost are subject to a loss allowance for expected credit losses resulting from default events that are possible within 12 months after the reporting date, or an allowance for lifetime expected losses for certain trade receivables, contract assets and lease receivables, and for financial assets where credit risk has increased significantly since initial recognition. Changes in the amount of expected credit losses are recognized as an impairment gain or loss in profit and loss.

Financial assets are derecognized when the contractual rights to the cash flows expire, for certain transfers, or when there is no reasonable expectation of recovering the financial asset.

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurements are determined based on quoted prices or appropriate valuation methods. Gains and losses on investments in equity instruments designated as FVOCI are recognized in other comprehensive income until they are derecognized. Dividends from these investments are recognized in profit and loss.

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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, 2019 and 2018, 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.

### 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 July 31, 2019 is \$589,459 (July 31, 2018 - \$301,342), representing 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, 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 July 31, 2019, the Company's two largest customers accounted for \$400,455 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.



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### *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 19 of the consolidated financial statements for the year ended July 31, 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 11 of the Company's consolidated financial statements.

### *Other Market Risk*

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

### **Business Risk Factors**

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

- The Company's financial results may fail to meet or exceed expectations of securities analysts or investors.
- The market for the Company's products or technology platform may not develop or perform as expected.
- The Company's data collection and analysis systems may contain material defects or we may otherwise deliver inaccurate information.
- The Company may deliver, or be perceived to deliver, inaccurate information to our customers.
- The Company's customer base consists exclusively of government bodies, whose budgets and mandates are subject to change.
- The Company may experience customer dissatisfaction or loss from changes to our methodologies or scope of information the Company collects.
- The Company may provide poor service or the Company's products may not comply with customer agreements.
- The Company may not be able to compete successfully against the Company's current and future competitors which would harm the Company's ability to retain and acquire customers.
- Any actual or perceived violations of privacy laws or perceived misuse of data could cause public relations problems and could impair the Company's ability to obtain user responses of sufficient size and scope.
- Any unauthorized disclosure or theft of private information the Company may gather could harm the Company's business.
- The Company may encounter difficulties managing its growth.
- The Company may fail to successfully market and develop its brand.
- The Company may fail to effectively expand its sales and marketing capabilities.
- The Company may experience system failures or delays in operation of our computer and communication systems.

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- 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.
- 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.
- 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 July 31, 2019 the Company had 141,172,988 and at November 19, 2019 141,397,988 shares issued and outstanding.

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The following is a continuity of share purchase options issued and outstanding as at July 31 and November 19, 2019:

	Number of Options	Weighted average exercise price
Balance, July 31, 2019	7,445,000	\$ 0.13
Granted	500,000	\$ 0.05
Balance, November 19, 2019	7,945,000	\$ 0.12

The following is a continuity of warrants issued and outstanding as at July 31 and November 19, 2019:

	Number of Warrants	Weighted average exercise price
Balance, July 31, 2019	13,084,000	\$ 0.05
Expired	(11,584,000)	\$ 0.05
Balance, November 19, 2019	1,500,000	\$ 0.05

The following is a continuity of the restricted share units (RSUs) issued and outstanding as at July 31 and November 19, 2019:

	Number of RSUs
Balance, July 31 2019	3,187,500
Granted	1,850,000
Exercised	(225,000)
Balance, November 19, 2019	4,812,500