

HEALTHSPACE DATA SYSTEMS LTD.

Interim Consolidated Financial Statements

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

HEALTHSPACE DATA SYSTEMS LTD.
Consolidated Interim Statements of Financial Position
As at October 31, 2019 and 2018
Expressed in US Dollars

As at	October 31, 2019	July 31, 2019
ASSETS	(unaudited)	(audited)
Current Assets		
Cash and cash equivalents	\$ 120,484	\$ 122,370
Accounts receivable	456,945	589,459
Prepaid expenses and deposits	48,406	53,001
Total Current Assets	625,835	764,830
Property and equipment (Note 4)	206,165	224,866
Intangible assets (Note 5)	913,924	953,995
Goodwill (Note 3)	1,827,334	1,829,017
Software licenses (Note 6)	288,721	288,987
TOTAL ASSETS	\$ 3,861,979	\$ 4,061,695
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 552,028	\$ 611,717
Contract liabilities (Note 7)	648,816	725,075
Notes payable (Note 8)	19,541	19,559
Advances payable (Note 8)	382,709	142,143
Current portion of finance lease obligation (Note 9)	48,303	53,622
Current portion of convertible debentures (Note 10)	604,121	-
Other liabilities	17,350	17,366
Total Current Liabilities	2,272,868	1,569,482
Contract liabilities (Note 7)	31,608	41,228
Finance lease obligations (Note 9)	64,028	61,448
Convertible debentures (Note 10)	-	604,677
Total long-term liabilities	95,636	707,353
TOTAL LIABILITIES	2,368,504	2,276,835
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	6,963,167	6,963,167
Options reserve	721,507	712,062
Restricted share unit reserve	222,292	175,604
Warrant reserve	151,258	151,258
Foreign currency translation adjustment	(99,120)	(96,290)
Deficit	(6,465,629)	(6,120,941)
TOTAL SHAREHOLDERS' EQUITY	1,493,475	1,784,860
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,861,979	\$ 4,061,695

Subsequent events Note 11 (b, d)

Approved on behalf of the Board of Directors

"Ali Hakimzadeh" Director

"Alnesh Mohan" Director

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

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

	Three months ended October 31,	
	2019	2018
REVENUE		
Subscription	\$ 552,650	\$ 552,358
Contract and implementation	77,880	25,015
Total Revenue	630,530	577,373
OPERATING EXPENSES		
Amortization	57,679	43,253
Advertising and promotion	71,393	155,819
Consulting fees (note 12)	101,641	88,244
Filing fees and subscriptions	10,063	15,274
Insurance	51,919	29,469
Office expenses	19,008	24,082
Hosting and telecommunication	74,009	82,605
Software licenses	43,005	32,762
Professional fees (note 12)	50,019	65,951
Rent	26,984	16,268
Salaries and wages (note 12)	333,010	262,980
Sales commission	6,577	4,970
Share-based payments (note 11(c), 11(d), 12)	56,134	98,681
Total Operating Expenses	901,441	920,358
LOSS FROM OPERATIONS	(270,911)	(342,985)
FINANCE COSTS		
Interest	(67,149)	(18,552)
OTHER INCOME (EXPENSES)		
Gain on settlement of liabilities	-	42,353
Foreign exchange loss	(6,647)	(4,033)
Other revenue	19	45
NET LOSS	(344,688)	(323,172)
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified to net loss:		
Foreign currency translation adjustment	(2,830)	(18,036)
COMPREHENSIVE LOSS	\$ (347,518)	\$ (341,208)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.002)	\$ (0.002)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
	141,172,988	139,559,945

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

HEALTHSPACE DATA SYSTEMS LTD.

Consolidated Interim Statements of Changes in Shareholders' Equity

For the three months ended October 31, 2019 and 2018

Unaudited, Expressed in US Dollars

	Share capital		Contributed Surplus	Foreign currency translation adjustment	Deficit	Total
	Number of shares	Amount				
Balance, July 31, 2018	139,372,988	\$ 6,859,359	\$ 852,911	\$ (67,400)	\$ (5,367,543)	\$ 2,277,327
Warrants issued for services	-	-	38,357	-	-	38,357
Shares issued to settle debt	1,000,000	34,124	-	-	-	34,124
Options granted as share-based payments	-	-	56,913	-	-	56,913
Restricted share units granted as share-based payments	-	-	41,780	-	-	41,780
Other comprehensive income	-	-	-	(18,036)	-	(18,036)
Net loss	-	-	-	-	(323,172)	(323,172)
Balance, October 31, 2018	140,372,988	\$ 6,893,483	\$ 989,961	\$ (85,436)	\$ (5,690,715)	\$ 2,107,293
Balance, July 31, 2019	141,172,988	\$ 6,963,167	\$ 1,038,924	\$ (96,290)	\$ (6,120,941)	\$ 1,784,860
Options granted as share-based payments	-	-	9,445	-	-	9,445
Restricted share units granted as share-based payments	-	-	46,688	-	-	46,688
Other comprehensive loss	-	-	-	(2,830)	-	(2,830)
Net loss	-	-	-	-	(344,688)	(344,688)
Balance, October 31, 2019	141,172,988	\$ 6,963,167	\$ 1,095,057	\$ (99,120)	\$ (6,465,629)	\$ 1,493,475

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

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

	Three months ended October	
	31,	
	2019	2018
OPERATING ACTIVITIES		
Net loss	\$ (344,688)	\$ (323,172)
Adjustments for non-cash items:		
Amortization	57,679	43,253
Gain on settlement of liabilities	-	42,353
Share-based payments	56,133	98,681
Foreign exchange	(378)	1,950
	(231,254)	(136,935)
Change in operating working capital		
Increase (decrease) in accounts payable	(59,689)	(42,595)
(Increase) decrease in accounts receivable	132,514	145,108
Increase (decrease) in contract liabilities	(85,879)	105,801
Decrease (increase) in prepaid expenses and deposits	4,595	32,262
Cash flow from (used in) operating activities	(239,713)	103,641
INVESTING ACTIVITIES		
Purchases of property and equipment	-	(165,010)
Development of intangible assets	-	(106,561)
Cash flow used in investing activities	-	(271,571)
FINANCING ACTIVITIES		
Proceeds from (payments on) finance lease obligations	(2,739)	148,615
Proceeds from advances payable	240,566	-
Proceeds from issuance of convertible debenture	-	186,247
Cash flow from financing activities	237,827	334,862
Net cash (decrease) increase	(1,886)	166,932
CASH AND CASH EQUIVALENTS, beginning of period	122,370	332,333
CASH AND CASH EQUIVALENTS, end of period	\$ 120,484	\$ 499,265

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

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

The principal business activity of the Company is the development and sale of information and communication management systems for health inspection departments of federal, provincial, state and municipal governments in Canada and the United States of America. The head office of the Company is located at 201-7491 Vedder Road, Chilliwack, British Columbia, V2R 6E7.

Financial Statement Presentation Framework

The Interim Consolidated Financial Statements for the three months ended October 31, 2019 include the financial information of HealthSpace and its wholly owned subsidiary HealthSpace USA Inc.

Going Concern

As at October 31, 2019, the Company had a working capital deficiency of \$1,647,033 (July 31, 2019 - \$804,652) and will therefore need additional funding to continue its operations. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles of a going concern will be in doubt.

These interim consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These interim consolidated financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue its operations in the normal course of business.

2. BASIS OF PREPARATION

Statement of Compliance

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

2. BASIS OF PREPARATION (continued)

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

Except as noted below, these interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements for the year ended July 31, 2019 and should be read in conjunction with those audited consolidated financial statements. These interim consolidated financial statements were approved by the Board of Directors and authorized for issue on December 17, 2019.

Basis of Measurement

These interim consolidated financial statements are presented in US dollars and have been prepared on a historical cost basis, except for cash and financial instruments classified as fair value through profit or loss or fair value through other comprehensive income that have been measured at fair value.

Presentation and Functional Currencies

The functional currency of HealthSpace Data Systems Ltd. is the Canadian dollar. The functional currency of the Company’s US operations is the US dollar. Transactions in currencies other than the Company’s functional currency are initially recorded in the functional currency at the foreign exchange rates on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated into the functional currency using the period end foreign exchange rate. Non-monetary assets and liabilities are translated into the functional currency using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated into the functional currency using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the consolidated Interim statements of loss and comprehensive loss.

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

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

2. BASIS OF PREPARATION (continued)

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

Period end dates	US to CDN	CDN to US
July 31, 2019	\$1.3148	\$0.7606
October 31, 2019	\$1.3160	\$0.7599
<hr/>		
Averages, three months ended	US to CDN	CDN to US
October 31, 2018	\$1.3029	\$0.7998
October 31, 2019	\$1.3235	\$0.7556

3. GOODWILL

Goodwill, representing the sales and growth potential of HealthSpace 2009 arising from the acquisition of HealthSpace by Britannica HealthSpace Holdings Ltd. on November 21, 2013 was recognized as follows:

Goodwill, July 31, 2018	\$ 1,847,293
Effect of movement in exchange rate	(18,276)
Goodwill, July 31, 2019	\$ 1,829,017
Effect of movement in exchange rate	(1,683)
Goodwill, October 31, 2019	\$ 1,827,334

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

4. PROPERTY AND EQUIPMENT

	Computer Hardware	Furniture and Equipment	Total
COST			
Balance, July 31, 2018	\$ 138,758	\$ 4,229	\$ 142,987
Additions	217,545	-	217,545
Effect of movement in exchange rates	139	-	139
Balance, July 31, 2019	\$ 356,442	\$ 4,229	\$ 360,671
Additions	-	-	-
Effect of movement in exchange rates	(157)	-	(157)
Balance, October 31, 2019	\$ 356,285	\$ 4,229	\$ 360,514

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4. PROPERTY AND EQUIPMENT (continued)

	Computer Hardware	Furniture and Equipment	Total
ACCUMULATED AMORTIZATION			
Balance, July 31, 2018	\$ 77,195	\$ 2,709	\$ 79,904
Amortization	55,901	304	56,205
Effect of movement in exchange rates	(304)	-	(304)
Balance, July 31, 2019	132,792	3,013	135,805
Amortization	18,332	61	18,393
Effect of movement in exchange rates	151	-	151
Balance, October 31, 2019	\$ 151,275	\$ 3,074	\$ 154,349
NET BOOK VALUE			
Balance, July 31, 2017	\$ 61,563	\$ 1,520	\$ 63,083
Balance, July 31, 2019	\$ 223,650	\$ 1,216	\$ 224,866
Balance, October 31, 2019	\$ 205,010	\$ 1,155	\$ 206,165

5. INTANGIBLE ASSETS

COST	Unpatented technology	Customer relationships and contracts	Inspection application (Note 6a)	Customizable Application (Note 6b)	Total
Balance, July 31, 2018	121,963	30,774	493,625	617,374	1,263,736
Additions from internal development	-	-	-	346,404	346,404
Effect of movements in exchange rates	(1,207)	(304)	(4,884)	(3,287)	(9,682)
Balance, July 31, 2019	\$ 120,756	\$ 30,470	\$ 488,741	\$ 960,491	\$1,600,458
Additions from internal development	-	-	-	-	-
Effect of movements in exchange rates	(112)	(29)	(450)	(2,591)	(3,182)
Balance, October 31, 2019	\$ 120,644	\$ 30,441	\$ 488,291	\$ 957,900	\$1,597,276

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5. INTANGIBLE ASSETS

ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Balance, July 31, 2018	95,342	14,435	315,730	55,497	481,004
Amortization	19,999	3,028	57,758	88,500	169,285
Effect of movements in exchange rates	(816)	(124)	(2,757)	(129)	(3,826)
Balance, July 31, 2019	\$ 114,525	\$ 17,339	\$ 370,731	\$ 143,868	\$ 646,463
Amortization	4,999	757	9,672	23,859	39,286
Effect of movements in exchange rates	(77)	(13)	(287)	(2,020)	(2,397)
Balance, October 31, 2019	\$ 119,446	\$ 18,083	\$ 380,116	\$ 165,707	\$ 683,352
NET BOOK VALUE					
Balance, July 31, 2018	\$ 26,621	\$ 16,339	\$ 177,895	\$ 561,877	\$ 782,732
Balance, July 31, 2019	\$ 6,231	\$ 13,131	\$ 118,010	\$ 816,623	\$ 953,995
Balance, October 31, 2019	\$ 1,198	\$ 12,358	\$ 108,175	\$ 792,193	\$ 913,924

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

(a) Inspection application

On May 1, 2015, the Company acquired an iOS- and Android-compatible inspection application and related online tools from iGov Inc. ("iGov") for fixed and variable consideration of up to \$1.25 million. The technology was made available to the public on the Android app store on November 1, 2015. Pursuant to the technology asset purchase agreement, the Company was required to:

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

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

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5. INTANGIBLE ASSETS (continued)

(b) Customizable application

The customizable application consists of internally developed software for which the Company capitalized \$nil in development costs during the three months ended October 31, 2019 and \$346,404 during the year ended July 31, 2019.

6. SOFTWARE LICENSES

COST AND NET BOOK VALUE	Licenses
Balance, July 31, 2018	\$ 291,875
Effect of movements in exchange rates	(2,888)
Balance, July 31, 2019	\$ 288,987
Effect of movements in exchange rates	(266)
Balance, October 31, 2019	\$ 288,721

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 rights to clients of the Company. These licenses remain under the control of the Company and are property of the Company as long as the Company holds a maintenance contract with IBM Canada. The software licenses have an indefinite useful life and therefore are not amortized. During the year ended July 31, 2019, the current subscription and support contract was renewed for a year. The expense related to the maintenance contract is recorded as "Software Licenses" in the consolidated statements of loss and comprehensive loss.

7. REVENUES, CONTRACT ASSETS AND CONTRACT LIABILITIES

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.

Accounts receivable on the consolidated statements of financial position represent receivables from contracts with customers. The Company has not recognized any other contract assets in these interim consolidated financial statements.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
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Unaudited, Expressed in US Dollars

7. REVENUES, CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

Contract liabilities represent customer payments received for software services to be provided subsequent to the reporting date. Significant changes in contract liabilities during the three months ended October 31, 2019 are as follows:

	Three months October 31, 2019	Year ended July 31, 2019
Contract liabilities, beginning of period	\$ 766,303	\$ 549,224
Revenue recognized	(399,101)	(495,368)
Increases due to cash received	308,159	715,894
Effect of movement in exchange rates	5,063	(3,447)
Contract liabilities, end of period	\$ 680,424	\$ 766,303
Current portion	\$ 648,816	\$ 725,075
Long-term portion	31,608	41,228
Total	\$ 688,424	\$ 766,303

8. NOTES AND ADVANCES PAYABLE

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

The Company may also finance its working capital requirements under an accounts receivable financing agreement. Under the terms of this agreement, as amended, the Company may draw up to CAD\$700,000 and must draw a minimum of CAD\$75,000 per month and pay a fee of 3% of the gross advances received or are outstanding each month and a standby fee of 5% per annum, calculated monthly, on undrawn amounts. As at October 31, 2019, advances and fees of \$382,709 are payable to the lender (July 31, 2019 - \$142,143) and \$471,557 (July 31, 2019 - \$172,506) of accounts receivable have been pledged as collateral for the advances.

9. FINANCE LEASE OBLIGATIONS

The Company has leased computer hardware with a net carrying amount of \$149,635 included in property and equipment as at October 31, 2019 of (July 31, 2019 - \$131,837). During the year ended July 31, 2019, one finance lease was paid in full. The lease term of the remaining lease is three years. The interest rate underlying the obligations under this lease is approximately 20%.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
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9. FINANCE LEASE OBLIGATIONS (continued)

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

Fiscal year 2020	\$ 49,532
Fiscal year 2021	66,044
Fiscal year 2022	22,014
Total future minimum lease payments	137,590
Less: Imputed interest	(25,259)
Less: Current portion	(48,303)
Long-term portion of future minimum lease payments	\$ 64,028

10. CONVERTIBLE DEBENTURES

	July 31, 2019	July 31, 2019
2018 Convertible Debentures	\$ 379,950	\$ 380,300
2016 Convertible Debentures	224,171	224,377
Total Convertible debentures	604,121	604,677
Less: current portion	604,121	-
Long-term portion	\$ -	\$ 604,677

(a) 2018 Convertible Debentures

On September 17, 2018, the Company issued secured convertible debentures with an aggregate principal amount of CAD\$500,000. The debentures bear interest at a rate of 10% per annum and mature on September 17, 2020. The debentures are convertible by the holders into common shares of the Company at a price of \$0.075 per share if converted on or before September 17, 2019, and \$0.10 per share if converted after September 17, 2019. The debentures are secured by a general security agreement over all of the Company's present and after-acquired personal property which ranks pari-passu with the security of the 2016 convertible debentures.

(b) 2016 Convertible Debentures

Secured convertible debentures outstanding as at July 31, 2018 had the following terms:

- At any time before September 29, 2018, the date the debenture is to be repaid, the holder may convert all or a portion of the outstanding principal into common shares at a price of \$0.075 per share if converted before September 29, 2017 and at \$0.10 if converted after September 29, 2017.

10. CONVERTIBLE DEBENTURES (continued)

- After September 29, 2017, the Company may redeem and prepay all or a part of the principal amount with a penalty assessed as to the amount of interest remaining from the date of the redemption to be converted to common shares based on a conversion rate that would provide for a 15% discount of the volume weighted average price on closing of the preceding 20 trading days of the common shares.
- Interest is accrued on the principal amount of the debenture at a rate of 10% per annum, calculated and payable monthly on the first day of each month until September 29, 2018.
- Debenture holders hold a security interest over the Company's present and after acquired personal property.
- On or after September 28, 2017, the Company may redeem and prepay all or a part of the principal amount, with a penalty equal to the amount of interest remaining on the amount redeemed or prepaid, to be converted to common shares at a conversion rate that would provide for a 15% discount of the volume weighted average price on closing of the preceding 20 trading days.

During the year ended July 31, 2018, debentures with an aggregate principal amount of CAD\$955,000 were exercised and converted to 9,550,000 common shares of the Company. As at July 31, 2018, the outstanding principal balance of the debentures was CAD\$545,000. In September 2018, the Company paid out debentures with an aggregate principal amount of CAD\$250,000. On September 29, 2018, the Company deferred the maturity date of the remaining debentures with an aggregate principal amount of CAD\$295,000 to September 29, 2020 and amended the terms of these debentures such that they are convertible by the holders into common shares of the Company at a price of \$0.075 per share if converted on or before September 29, 2019, and \$0.10 per share if converted after September 29, 2019.

11. SHARE CAPITAL

(a) Common Shares Authorized

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

(b) Common Shares Issued

No shares were issued during the three months ended October 31, 2019.

Subsequent to the period ended October 31, 2019 225,000 shares were issued on exercise of restricted share units.

11. SHARE CAPITAL (continued)

(b) Common Shares Issued (continued)

Issued during the year ended July 31, 2019

- On September 17, 2018, the Company issued 1,000,000 shares as payment of CAD\$100,000 for marketing services received.
- In November 2018, the Company issued 300,000 shares on exercise of warrants at an exercise price of CAD\$0.05 per share.
- In December 2018, the Company issued 100,000 shares on exercise of restricted share units.
- In April 2019, the Company issued 100,000 shares on exercise of warrants at an exercise price of CAD\$0.05 per share.

(c) Share Purchase Options

The Company has adopted a rolling Share Option Plan whereby a maximum of 10% of the Company's outstanding shares are reserved for issuance as a result of the grant of share options. Share option terms issued under the Share Option Plan are at the discretion of the Company's board of directors and generally include contractual lives of five years and exercise prices based on the fair market value of the common shares at the grant date.

During the three months ended October 31, 2019, the Company granted 500,000 share purchase options with a term of five years and an exercise price of \$0.05 per share to directors, officers, employees and consultants of the Company. The options vested on their respective grant dates. The weighted average fair value of these options on the grant date was CAD\$0.041 calculated using the Black-Scholes option pricing model with the following weighted average inputs:

Market price of the shares on the grant date	CAD\$0.03
Exercise price	CAD\$0.05
Risk-free interest rate	1.23%
Expected option life	5 years
Expected volatility over the option life	134%
Expected dividends	\$Nil

During the three months ended October 31, 2019 300,000 stock options were cancelled.

During the year ended July 31, 2019, the Company granted 1,535,000 share purchase options with a term of five years and an exercise price of \$0.08 per share to directors, officers, employees and consultants of the Company. The options vested on their respective grant dates.

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11. SHARE CAPITAL (continued)

(c) Share Purchase Options (continued)

The weighted average fair value of these options on the grant date was CAD\$0.036 calculated using the Black-Scholes option pricing model with the following weighted average inputs:

Market price of the shares on the grant date	CAD\$0.04
Exercise price	CAD\$0.08
Risk-free interest rate	2.21%
Expected option life	5 years
Expected volatility over the option life	146%
Expected dividends	\$Nil

The expected option life incorporates the potential for early exercise.

The following is a summary of the Company's share purchase options outstanding as at October 31, 2019:

Expiry date	Exercise price, CAD\$	Number of options outstanding	Number of options exercisable	Weighted average remaining contractual life (in years)
November 30, 2020	\$0.20	1,670,000	1,670,000	1.08
November 24, 2021	\$0.08	1,795,000	1,795,000	2.07
March 8, 2022	\$0.08	75,000	75,000	2.35
December 15, 2022	\$0.15	1,870,000	1,870,000	3.13
July 3, 2023	\$0.08	300,000	300,000	3.67
September 5, 2023	\$0.08	870,000	870,000	3.85
September 11, 2023	\$0.08	65,000	65,000	4.12
December 18, 2023	\$0.08	500,000	500,000	4.13
August 18, 2024	\$0.05	500,000	500,000	4.78
Total		7,645,000	7,645,000	2.71

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11. SHARE CAPITAL (continued)

(c) Share Purchase Options (continued)

The following is a continuity of the share purchase options as at October 31, 2019:

	Three months ended October 31, 2019		Year ended July 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	7,445,000	\$ 0.12	7,510,000	\$ 0.14
Granted	500,000	\$ 0.05	1,535,000	\$ 0.08
Exercised	-	\$ -	-	\$ -
Cancelled	(300,000)	\$ 0.09	(1,600,000)	\$ 0.13
Balance, end of period	7,645,000	\$ 0.12	7,445,000	\$ 0.12
Exercisable, end of period	7,645,000	\$ 0.12	7,445,000	\$ 0.12

During the three months ended October 31, 2019, the Company recorded \$9,445 (2018 - \$56,913) as share-based payments related to share purchase options.

(d) Restricted Share Units

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

	Year ended October 31, 2019 Number of RSUs	Year ended July 31, 2019 Number of RSUs
Balance, beginning of period	3,187,500	1,187,500
Cancelled	-	-
Granted	1,850,000	2,100,000
Exercised	-	(100,000)
Balance, end of period	5,037,500	3,187,500
Exercisable, end of period	4,512,500	2,137,500

During the three months ended October 31, 2019, the Company granted 1,850,000 RSUs to directors, officers and employees vesting immediately. During the three months ended October 31, 2019 the Company recorded \$46,689 (2018 - \$41,768) as share-based payments related to the vesting of RSUs.

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

Subsequent to the three months ended October 31, 2019 225,000 RSUs were exercised and 25,000 forfeited.

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11. SHARE CAPITAL (continued)

(e) Share Purchase Warrants

No warrants were issued during the three months ended October 31, 2019.

During the three months ended October 31, 2019 1,200,000 warrants expired.

During the year ended July 31, 2019, the Company issued 1,500,000 share purchase warrants as payment for consulting services. Each warrant entitles the holder to acquire one common share for a period of three years at a price of CAD\$0.075 per share. The fair value of the warrants of \$38,357 was calculated using the Black-Scholes option pricing model with the following weighted average inputs:

Market price of the shares on the grant date	CAD\$0.05
Exercise price	CAD\$0.075
Risk-free interest rate	2.12%
Expected option life	3 years
Expected volatility over the option life	146%
Expected dividends	\$Nil

The following is a continuity of the share purchase warrants as at October 31, 2019:

	Three months ended October 31, 2019		Year ended July 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	13,084,000	\$ 0.05	11,984,000	\$ 0.05
Granted	-	\$ -	1,500,000	\$ 0.075
Exercised	-	\$ -	(400,000)	\$ 0.05
Expired	(1,200,000)	\$ 0.05	-	\$ -
Balance, end of period	11,884,000	\$ 0.05	13,084,000	\$ 0.05
Exercisable, end of period	11,884,000	\$ 0.05	13,084,000	\$ 0.05

The weighted average remaining life of the warrants outstanding as at October 31, 2019 is 0.27 years (July 31, 2019 – 0.50 years).

Subsequent to the three months ended October 31, 2019 10,384,000 warrants with an exercise price of \$0.05 expired unexercised.

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12. RELATED PARTY TRANSACTIONS

As at October 31, 2019, accounts payable and accrued liabilities included \$38,571 (July 31, 2019 - \$29,512) owing to directors, officers and companies controlled by directors and officers.

For the three months ended October 31, 2019, \$53,837 (2018 - \$50,086) in consulting and accounting fees, included in professional fees, were paid to a company controlled by an officer, to a company of which an officer of the Company is an employee.

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 \$52,626 (2018 - \$35,193) for the three months ended October 31, 2019.

During the three months ended October 31, 2019, the Company recorded \$45,092 (2017 - \$57,075) in share-based payments for the share purchase options and restricted share purchase units granted to directors and officers of the Company.

13. COMMITMENTS

At October 31, 2019, the Company has lease commitments related to the purchase of computer hardware as described in Note 9.

The Company has entered into an agreement for the rental of premises. The minimum future annual payments under are approximately \$60,722 in fiscal year 2020 and \$51,507 in fiscal year 2021.

14. LOSS PER SHARE

The Company's financial instruments which could potentially dilute loss per share consist of the convertible debentures, common share purchase options, common share purchase warrants and RSUs. The potential common shares from the conversion exercise of these instruments were antidilutive for the three months ended October 31, 2019 and 2018 and therefore, the Company's diluted loss per share is equal to its basic loss per share.

15. OPERATING SEGMENTS

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

	Canada	United States of America	Total
For the three months ended			
October 31, 2019			
Subscription revenues	\$ 119,662	\$ 432,988	\$ 552,650
Contract and implementation revenues	\$ -	\$ 77,880	\$ 77,880

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15. OPERATING SEGMENTS (continued)

	Canada	United States of America	Total
As at October 31, 2019			
<i>Non-current assets</i>			
Property and equipment	\$ 203,718	\$ 2,447	\$ 206,165
Intangible assets	\$ 629,373	\$ 284,551	\$ 913,924
Software license	\$ 288,721	\$ -	\$ 288,721
Goodwill	\$ 1,827,334	\$ -	\$ 1,827,334
<i>Total assets</i>	\$ 3,060,601	\$ 801,378	\$ 3,861,979
<i>Total liabilities</i>	\$ 1,750,934	\$ 617,570	\$ 2,368,504
For the three months ended October 31, 2018			
Subscription revenues	\$ 122,292	\$ 430,066	\$ 552,358
Contract and implementation revenues	\$ -	\$ 25,015	\$ 25,015
As at July 31, 2019			
<i>Non-current assets</i>			
Property and equipment	\$ 221,241	\$ 2,625	\$ 224,866
Intangible assets	\$ 661,071	\$ -	\$ 953,995
Software license	\$ 288,987	\$ -	\$ 288,987
Goodwill	\$ 1,829,017	\$ -	\$ 1,829,017
<i>Total assets</i>	\$ 3,121,818	\$ 939,877	\$ 4,061,695
<i>Total liabilities</i>	\$ 1,613,255	\$ 663,580	\$ 2,276,835

For the three months ended October 31, 2019, revenues from two major customers in the United States of America represented approximately \$205,304 (2018 - \$146,817) of the Company's total revenues.

16. MANAGEMENT OF CAPITAL

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

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

16. MANAGEMENT OF CAPITAL (continued)

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

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

17. MANAGEMENT OF FINANCIAL RISK

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

Credit Risk

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

The Company's accounts receivable consist of amounts receivable from contracts with customers. The Company's maximum exposure to credit risk as at October 31, 2019 is \$456,945 (July 31, 2019 - \$589,459), representing customer accounts receivable. As at October 31, 2019, the Company has pledged accounts receivable of \$471,557 (July 31, 2019 - \$172,506) as collateral for advances received under an accounts receivable financing agreement (Note 8).

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 October 31, 2019, the Company's two largest customers accounted for \$275,915 of the balance of accounts receivable (July 31, 2019 - \$400,455).

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.

17. MANAGEMENT OF FINANCIAL RISK (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 16. Accounts payable and accrued liabilities, notes payable and other liabilities are all due within the current operating period. Finance lease obligations are due based on the terms disclosed in Note 9. Convertible debentures are due based on the terms disclosed in Note 10.

Other Market Risk

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