

HEALTHSPACE DATA SYSTEMS LTD.

Interim Consolidated Financial Statements

For the six months ended January 31, 2020 and 2019
(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 January 31, 2020
Expressed in US Dollars

As at	January 31, 2020	July 31, 2019
ASSETS	(unaudited)	(audited)
Current Assets		
Cash and cash equivalents	\$ 114,598	\$ 122,370
Accounts receivable	429,162	589,459
Prepaid expenses and deposits	46,020	53,001
Total Current Assets	589,780	764,830
Property and equipment (Note 5)	267,924	224,866
Intangible assets (Note 6)	1,023,657	953,995
Goodwill (Note 4)	1,817,234	1,829,017
Software licenses (Note 8)	287,125	288,987
TOTAL ASSETS	\$ 3,985,720	\$ 4,061,695
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 618,716	\$ 611,717
Contract liabilities (Note 9)	590,361	725,075
Loan and notes payable (Note 10)	28,938	19,559
Advances payable (Note 11)	496,296	142,143
Current portion of finance lease obligation (Note 12)	50,416	53,622
Current portion of convertible debentures (Note 113)	600,782	-
Current portion of lease obligation (Note 7)	55,566	-
Commissions payable (Note 6)	106,754	-
Other liabilities	17,254	17,366
Total Current Liabilities	2,565,083	1,569,482
Long-Term Liabilities		
Contract liabilities (Note 9)	38,756	41,228
Finance lease obligations (Note 12)	50,141	61,448
Loan (Note 10)	11,570	-
Lease obligations (Note 7)	24,982	-
Convertible debentures (Note 12)	-	604,677
Total Long-Term Liabilities	125,449	707,353
TOTAL LIABILITIES	2,690,532	2,276,835
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	7,269,293	6,963,167
Reserve	1,093,085	1,038,924
Foreign currency translation adjustment	(103,626)	(96,290)
Deficit	(6,963,564)	(6,120,941)
TOTAL SHAREHOLDERS' EQUITY	1,295,188	1,784,860
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,985,720	\$ 4,061,695

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 and six months ended January 31, 2020 and 2019
Unaudited, Expressed in US Dollars

	Three months Ended January 31,		Six months ended January 31,	
	2020	2019	2020	2019
REVENUE				
Subscription	\$ 283,135	\$ 493,945	\$ 835,785	\$ 1,046,303
Contract and implementation	175,314	36,659	253,194	61,674
Total Revenue	458,449	530,604	1,088,979	1,107,977
OPERATING EXPENSES				
Amortization	54,530	58,732	112,209	101,985
Advertising and marketing	47,288	52,956	118,681	208,775
Consulting fees (note 15)	97,383	86,789	199,024	175,033
Filing fees and subscriptions	24,647	20,951	34,710	36,225
Insurance	50,150	30,955	102,069	60,424
Office expenses	29,663	16,313	48,671	40,395
Hosting and telecommunication	58,754	81,311	132,763	163,916
Software licenses (Note 8)	33,158	29,966	76,163	62,728
Professional fees (note 15)	52,800	(1,929)	102,819	64,022
Rent	17,003	23,427	43,987	39,695
Salaries and wages (note 15)	396,665	234,313	729,675	497,293
Sales commission	3,136	7,138	9,713	12,108
Share-based payments (note 14(c), 14(d), 15)	3,016	40,345	59,150	139,026
Total Operating Expenses	868,193	681,267	1,769,634	1,601,625
LOSS FROM OPERATIONS	(409,744)	(150,663)	(680,655)	(493,648)
FINANCE COSTS				
Interest	(87,867)	(22,229)	(155,016)	(40,781)
OTHER INCOME (EXPENSES)				
Gain on settlement of liabilities	-	(285)	-	42,068
Foreign exchange loss	(352)	(1,880)	(6,999)	(5,913)
Other revenue	28	68	47	113
NET LOSS	(497,935)	(174,989)	(842,623)	(498,161)
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified to net loss:				
Foreign currency translation adjustment	(4,506)	34,006	(7,336)	(21,479)
COMPREHENSIVE LOSS	\$ (502,441)	\$ (140,983)	\$ (849,959)	\$ (519,640)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.003)	\$ (0.001)	\$ (0.006)	\$ (0.004)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	143,510,934	141,016,466	145,848,879	140,649,075

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 six months ended January 31, 2020 and 2019

Unaudited, Expressed in US Dollars

	Share capital			Reserves	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	-	-	37,868	-	-	37,868	
Shares issued to settle debt	1,000,000	34,124	-	-	-	34,124	
Options granted as share-based payments	-	-	77,234	-	-	77,234	
Restricted share units granted as share-based payments	-	-	50,597	-	-	50,597	
Restricted share units exercised	100,000	11,195	-	-	-	11,195	
Warrants exercised	300,000	11,448	-	-	-	11,448	
Other comprehensive income	-	-	-	(21,479)	-	(21,479)	
Net loss for the period	-	-	-	-	(498,161)	(498,161)	
Balance, January 31, 2019	140,772,988	\$ 6,916,126	\$ 1,018,610	\$ (88,879)	\$ (5,865,704)	\$ 1,980,153	
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	-	-	49,562	-	-	49,562	
Restricted share units exercised	225,000	4,846	(4,846)	-	-	-	
Shares issued in private placement, net of share issue costs	10,799,526	301,280	-	-	-	302,211	
Other comprehensive loss	-	-	-	(7,336)	-	(8,267)	
Net loss for the period	-	-	-	-	(842,623)	(842,623)	
Balance, January 31, 2020	152,197,514	\$ 7,269,293	\$ 1,093,085	\$ (103,626)	\$ (6,963,564)	\$ 1,295,188	

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 six months ended January 31, 2020 and 2019
Unaudited, Expressed in US Dollars

	Six months ended January 31,	
	2020	2019
OPERATING ACTIVITIES		
Net loss for the period	\$ (842,623)	\$ (498,161)
Adjustments for non-cash items:		
Amortization	112,209	101,985
Commissions amortization	9,713	-
Gain on settlement of liabilities	-	42,502
Share-based payments	59,150	139,026
Foreign exchange	6,999	5,913
	(654,552)	(208,735)
Change in operating working capital		
Increase (decrease) in accounts payable	6,998	(74,665)
(Increase) decrease in accounts receivable	160,297	143,948
Increase (decrease) in contract liabilities	(137,186)	131,029
Decrease (increase) in prepaid expenses and deposits	6,981	65,262
Cash flow from (used in) operating activities	(617,462)	56,839
INVESTING ACTIVITIES		
Purchases of property and equipment	(4,906)	(174,462)
Commissions paid	(41,940)	-
Development of intangible assets	-	(181,592)
Cash flow used in investing activities	(46,846)	(356,054)
FINANCING ACTIVITIES		
Proceeds from (payments on) finance lease obligations	(14,512)	135,584
Proceeds from advances payable	354,153	-
Proceeds from issuance of convertible debenture	-	186,167
Proceeds from shares issued in private placement	301,280	-
Proceeds from loan	21,075	-
Warrants exercised		11,448
Cash flow from financing activities	661,996	333,199
Net cash (decrease) increase	(2,312)	33,984
Effect of movements in exchange rates on cash	(5,460)	(7,144)
CASH AND CASH EQUIVALENTS, beginning of period	122,370	332,333
CASH AND CASH EQUIVALENTS, end of period	\$ 114,598	\$ 359,173

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 six months ended January 31, 2020 include the financial information of HealthSpace and its wholly owned subsidiary HealthSpace USA Inc.

Going Concern

As at January 31, 2020, the Company had a working capital deficiency of \$1,770,782 (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 March 20, 2020.

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 six months ended January 31, 2020 and 2019
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
January 31, 2020	\$1.3233	\$0.7557

Averages, six months ended	US to CDN	CDN to US
January 31, 2019	\$1.3167	\$0.7596
January 31, 2020	\$1.3199	\$0.7576

3. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

The following is a summary of new standards and amendments to standards that were effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (“IASB”) issued IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”) which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company adopted IFRS 15 effective August 1, 2019. Commissions paid for procurement of contracts are incremental costs of obtaining a contract. In accordance with IFRS 15 commissions are capitalized as Intangible assets and amortized over the life of the contract. The amortization is recorded as commissions on the profit and loss statement.

IFRS 16 – Leases (“IFRS 16”)

The following accounting policy is applicable as of August 1, 2019:

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

Lessee

Leases are recognized as a lease liability and a corresponding right-of-use asset at the date on which the leased asset is available for use by the Company. Liabilities and assets arising from a lease are initially measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the six months ended January 31, 2020 and 2019
Unaudited, Expressed in US Dollars

3. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS (continued)

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

Lease payments are allocated between the lease liability and finance costs. Cash outflows for repayment of the principal portion of the lease liability is classified as cash flows from financing activities. The interest portion of the lease payments is classified as cash flows from operating activities.

The ROU asset is initially measured at an amount equal to the corresponding lease liability and is subsequently depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The right-of-use asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of loss on a straight-line basis over the lease term.

4. GOODWILL

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

Goodwill, July 31, 2018	\$	1,847,293
Effect of movement in exchange rate		(18,276)
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Goodwill, July 31, 2019	\$	1,829,017
Effect of movement in exchange rate		(11,783)
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Goodwill, January 31, 2020	\$	1,817,234

None of the goodwill recognized is expected to be deductible for tax purposes and, as of January 31, 2020, no impairment has been identified.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the six months ended January 31, 2020 and 2019
Unaudited, Expressed in US Dollars

5. PROPERTY AND EQUIPMENT

	Computer Hardware	Furniture and Equipment	Right-of-use asset	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	4,906	-	116,552	121,458
Effect of movement in exchange rates	(1,973)	-	(214)	(2,187)
Balance, January 31, 2020	\$ 359,375	\$ 4,229	\$ 116,338	\$ 479,942
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	37,169	122	39,608	76,899
Effect of movement in exchange rates	(633)	-	(53)	(686)
Balance, January 31, 2020	\$ 169,328	\$ 3,135	\$ 39,555	\$ 212,018
NET BOOK VALUE				
Balance, July 31, 2018	\$ 61,563	\$ 1,520	\$ -	\$ 63,083
Balance, July 31, 2019	\$ 223,650	\$ 1,216	\$ -	\$ 224,866
Balance, January 31, 2020	\$ 190,047	\$ 1,094	\$ 76,783	\$ 267,924

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the six months ended January 31, 2020 and 2019
Unaudited, Expressed in US Dollars

6. INTANGIBLE ASSETS

COST	Unpatented technology	Customer relationships and contracts	Commissions (Note 6C)	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	-	-	158,395	-	-	158,395
Effect of movements in exchange rates	(779)	(197)	-	(3,149)	(6,034)	(10,159)
Balance, January 31, 2020	\$ 119,977	\$ 30,273	\$ 158,395	\$ 485,592	\$ 954,457	\$ 1,748,694
ACCUMULATED AMORTIZATION AND						
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	6,206	1,517	9,702	19,395	47,801	84,621
Effect of movements in exchange rates	(754)	(116)	-	(2,438)	(2,739)	(6,047)
Balance, January 31, 2020	\$ 119,977	\$ 18,740	\$ 9,702	\$ 387,688	\$ 188,930	\$ 725,037
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, January 31, 2020	\$ -	\$ 11,533	\$ 148,693	\$ 97,904	\$ 765,527	\$ 1,023,657

6. INTANGIBLE ASSETS (continued)

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.

(b) Customizable application

The customizable application consists of internally developed software. By July 31, 2019 the application was developed. The Company started transitioning current customers to this application and selling it to newly acquired. Accordingly, the Company capitalized \$nil in development costs during the six months ended January 31, 2020 and \$346,404 during the year ended July 31, 2019.

(c) Commissions

The commissions consist of incremental costs of obtaining a contract with a customer. Commissions are amortized over the life of the contract. The amortization is recorded in profit and loss as commissions. Commissions liability represent commissions payable for procuring a contract with a customer.

7. LEASE OBLIGATION

Right-of-Use asset relates to office lease. Office lease liability represent the Company’s obligation to pay office rent during the office lease contract. The Company measures the lease liability at the present value of the lease payments that are not paid at January 31, 2020. The lease payments are discounted using 20% interest rate implicit in the lease, which is the Company’s incremental borrowing rate.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the six months ended January 31, 2020 and 2019
Unaudited, Expressed in US Dollars

7. LEASE OBLIGATION (continued)

Balance as at August 1, 2019	\$ 116,338
Add: Finance costs	9,151
Less: Payments	(44,941)
As at January 31, 2020	\$ 80,548

Minimum lease payments:	
Fiscal year 2020	\$ 70,323
Fiscal year 2021	22,720
Total future minimum lease payments	93,043
Less: Imputed interest	(12,495)
	80,548

Less: Current portion	\$ 55,566
Long-term portion of future minimum lease payments	\$ 24,982

8. 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	(1,862)
Balance, January 31, 2020	\$ 287,125

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.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the six months ended January 31, 2020 and 2019
Unaudited, Expressed in US Dollars

9. 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.

Revenue for initial setup, customization and implementation are recognized over the period during which it the setup was done by the time the application is ready to “go-live”. Revenue for subscription and related support and maintenance services is recognized over the contract period.

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.

Contract liabilities represent customer payments received for software services to be provided subsequent to the reporting date. Significant changes in contract liabilities during the six months ended January 31, 2020 are as follows:

	Six months January 31, 2020	Year ended July 31, 2019
Contract liabilities, beginning of period	\$ 766,303	\$ 549,224
Revenue recognized	(1,088,979)	(495,368)
Cash received	947,517	715,894
Effect of movement in exchange rates	4,276	(3,447)
Contract liabilities, end of period	\$ 629,117	\$ 766,303
Current portion	\$ 590,361	\$ 725,075
Long-term portion	38,756	41,228

10. NOTES AND LOANS

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.

In December 2019 the Company arranged for a loan in the amount of CAD\$30,000. The loan bears interest of 18% per annum and is payable by December 1, 2021.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the six months ended January 31, 2020 and 2019
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11. ADVANCES PAYABLE

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 January 31, 2020, advances and fees of \$496,296 are payable to the lender (July 31, 2019 - \$142,143) and \$638,822 (July 31, 2019 - \$172,506) of accounts receivable have been pledged as collateral for the advances.

12. FINANCE LEASE OBLIGATIONS

The Company has leased computer hardware with a net carrying amount of \$135,427 included in property and equipment as at January 31, 2020 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%.

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

Fiscal year 2020	\$ 32,839
Fiscal year 2021	65,678
Fiscal year 2022	21,893
Total future minimum lease payments	120,410
Less: Imputed interest	(19,853)
Less: Current portion	(50,416)
Long-term portion of future minimum lease payments	\$ 50,141

13. CONVERTIBLE DEBENTURES

	January 31, 2020	July 31, 2019
2018 Convertible Debentures	\$ 377,850	\$ 380,300
2016 Convertible Debentures	222,932	224,377
Total Convertible debentures	600,782	604,677
Less: current portion	600,782	-
Long-term portion	\$ -	\$ 604,677

13. CONVERTIBLE DEBENTURES (continued)

(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.
- 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.

14. SHARE CAPITAL

(a) Common Shares Authorized

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

(b) Common Shares Issued

During the six months ended January 31, 2020, the Company closed a non-brokered private placement of 10,799,526 units at a price of CAD\$0.037 for gross proceeds of CAD\$399,592. Each unit consists of one common share and one non-transferable share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share for a period of twenty-four months at a price of CAD\$0.05 per warrant share. The Company paid \$931 in share issue costs.

In November 2019 225,000 shares were issued on exercise of restricted share units. The fair value of the restricted share units of \$4,846 was deducted from share-based payment reserve.

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 six months ended January 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.

14. SHARE CAPITAL (continued)

(c) Share Purchase Options (continued)

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 six months ended January 31, 2020 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.

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.

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14. SHARE CAPITAL (continued)

(c) Share Purchase Options (continued)

The following is a summary of the Company's share purchase options outstanding as at January 31, 2020:

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	0.83
November 24, 2021	\$0.08	1,795,000	1,795,000	1.82
March 8, 2022	\$0.08	75,000	75,000	2.10
December 15, 2022	\$0.15	1,870,000	1,870,000	2.87
July 3, 2023	\$0.08	300,000	300,000	3.42
September 5, 2023	\$0.08	870,000	870,000	3.60
September 11, 2023	\$0.08	65,000	65,000	3.61
December 18, 2023	\$0.08	500,000	500,000	3.88
August 18, 2024	\$0.05	500,000	500,000	4.52
Total		7,645,000	7,645,000	2.46

The following is a continuity of the share purchase options as at January 31, 2020:

	Six months ended January 31, 2020		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
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 six months ended January 31, 2020, the Company recorded \$9,445 (2019 - \$77,234) as share-based payments related to share purchase options.

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14. SHARE CAPITAL (continued)

(d) Restricted Share Units

The following is a continuity of Restricted Share Units (“RSUs”) as at January 31, 2020:

	Period ended January 31, 2019 Number of RSUs	Year ended July 31, 2019 Number of RSUs
Balance, beginning of period	3,187,500	1,187,500
Cancelled	(25,000)	-
Granted	1,850,000	2,100,000
Exercised	(225,000)	(100,000)
Balance, end of period	4,787,500	3,187,500
Exercisable, end of period	4,512,500	2,137,500

During the six months ended January 31, 2020, the Company granted 1,850,000 RSUs to directors, officers and employees vesting immediately. During the six months ended January 31, 2020 the Company recorded \$49,705 (2019 - \$61,792) 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.

During the six months ended January 31, 2020 225,000 RSUs were exercised and 25,000 forfeited.

(e) Share Purchase Warrants

No warrants were issued during the six months ended January 31, 2020.

During the six months ended January 31, 2020, as part of the private placement (Note 14(a)) the Company issued 10,799,526 share purchase warrants. Each warrant entitles the holder to acquire one additional common share for a period of two years at a price of CAD\$0.05 per warrant share.

During the six months ended January 31, 2020 11,584,000 warrants expired unexercised.

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14. SHARE CAPITAL (continued)

(e) Share Purchase Warrants (continued)

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 January 31, 2020:

	Six months ended January 31, 2020		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	10,799,526	\$ -	1,500,000	\$ 0.075
Exercised	-	\$ -	(400,000)	\$ 0.05
Expired	(11,584,000)	\$ 0.05	-	\$ -
Balance, end of period	12,299,526	\$ 0.05	13,084,000	\$ 0.05
Exercisable, end of period	12,299,526	\$ 0.05	13,084,000	\$ 0.05

The weighted average remaining life of the warrants outstanding as at January 31, 2020 is 1.87 years (July 31, 2019 – 0.50 years).

15. RELATED PARTY TRANSACTIONS

As at January 31, 2020, accounts payable and accrued liabilities included \$41,126 (July 31, 2019 - \$29,512) owing to directors, officers and companies controlled by directors and officers.

For the six months ended January 31, 2020, \$109,852 (2019 - \$100,172) 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.

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15. RELATED PARTY TRANSACTIONS (continued)

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 \$124,651 (2019 - \$77,820) for the six months ended January 31, 2020.

During the six months ended January 31, 2020, the Company recorded \$45,135 (2019 - \$77,074) in share-based payments for the share purchase options and restricted share purchase units granted to directors and officers of the Company.

16. LOSS PER SHARE

The Company's financial instruments which could potentially dilute loss per share consist of the convertible debentures, common share purchase options, common share purchase warrants and RSUs. The potential common shares from the conversion exercise of these instruments were antidilutive for the six months ended January 31, 2020 and 2019 and therefore, the Company's diluted loss per share is equal to its basic loss per share.

17. OPERATING SEGMENTS

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

	Canada	United States of America	Total
For the six months ended January 31, 2020			
Subscription revenues	\$ 240,387	\$ 595,398	\$ 835,785
Contract and implementation revenues	\$ 5,682	\$ 247,512	\$ 253,194
For the six months ended January 31, 2019			
Subscription revenues	\$ 245,219	\$ 801,084	\$ 1,046,303
Contract and implementation revenues	\$ 2,279	\$ 59,395	\$ 61,674
For the three months ended January 31, 2020			
Subscription revenues	\$ 120,725	\$ 162,410	\$ 283,135
Contract and implementation revenues	\$ 5,682	\$ 169,632	\$ 175,314
For the three months ended January 31, 2019			
Subscription revenues	\$ 122,927	\$ 371,018	\$ 493,945
Contract and implementation revenues	\$ 2,279	\$ 34,380	\$ 36,659

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17. OPERATING SEGMENTS (continued)

	Canada	United States of America	Total
As at January 31, 2020			
<i>Non-current assets</i>			
Property and equipment	\$ 248,071	\$ 19,853	\$ 267,924
Intangible assets	\$ 627,282	\$ 396,375	\$ 1,023,657
Software license	\$ 287,125	\$ -	\$ 287,125
Goodwill	\$ 1,817,234	\$ -	\$ 1,817,234
<i>Total assets</i>	\$ 3,104,283	\$ 881,437	\$ 3,985,720
<i>Total liabilities</i>	\$ 2,013,466	\$ 677,066	\$ 2,690,532
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 six months ended January 31, 2020, revenues from two major customers in the United States of America represented \$172,223 (July 31, 2019 - \$400,455) of the Company's total revenues.

18. MANAGEMENT OF CAPITAL

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

19. MANAGEMENT OF FINANCIAL RISK

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.

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 consists of amounts receivable from contracts with customers. The Company's maximum exposure to credit risk as at January 31, 2020 is \$429,162 (July 31, 2019 - \$589,459), representing customer accounts receivable. As at January 31, 2020, the Company has pledged accounts receivable of \$638,822 (July 31, 2019 - \$172,506) as collateral for advances received under an accounts receivable financing agreement (Note 9).

The Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required. When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at January 31, 2020, the Company's two largest customers accounted for \$172,223 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.

19. 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 18. Accounts payable and accrued liabilities, notes payable and other liabilities are all due within the current operating period. Finance lease obligations are due based on the terms disclosed in Note 12. Convertible debentures are due based on the terms disclosed in Note 13.

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.