



HEALTHSPACE DATA SYSTEMS LTD.

Interim Consolidated Financial Statements

For the nine months ended April 30, 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 April 30, 2020
Expressed in US Dollars

	April 30, 2020	July 31, 2019
	(unaudited)	(audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 165,536	\$ 122,370
Accounts receivable (note 11)	801,505	589,459
Prepaid expenses and deposits	46,578	53,001
Total Current Assets	1,013,619	764,830
Property and equipment (note 5)	170,720	224,866
Intangible assets (note 6)	812,776	953,995
Contract acquisition costs (note 7)	164,883	-
Right-of-use assets (note 8)	55,730	-
Goodwill (note 4)	1,728,741	1,829,017
Software licenses (Note 9)	224,403	288,987
TOTAL ASSETS	\$ 4,170,872	\$ 4,061,695
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 586,291	\$ 611,717
Contract liabilities (note 11)	725,937	725,075
Loan and notes payable (note 12)	26,546	19,559
Advances payable (note 13)	453,362	142,143
Current portion of finance lease obligation (note 14)	50,338	53,622
Convertible debentures (note 15)	571,526	-
Current portion of lease obligation (note 10)	50,027	-
Commissions payable (note 7)	98,994	-
Other liabilities	16,413	17,366
Total Current Liabilities	2,579,434	1,569,482
Long-Term Liabilities		
Contract liabilities (note 11)	115,661	41,228
Finance lease obligations (note 14)	34,188	61,448
Loan (Note 12)	38,382	-
Lease obligations (note 8)	10,099	-
Convertible debentures (note 15)	-	604,677
Total Long-Term Liabilities	198,330	707,353
TOTAL LIABILITIES	2,777,764	2,276,835
SHAREHOLDERS' EQUITY		
Share capital (note 16)	7,378,137	6,963,167
Reserve (note 16)	1,103,675	1,038,924
Foreign currency translation adjustment	(156,728)	(96,290)
Deficit	(6,931,976)	(6,120,941)
TOTAL SHAREHOLDERS' EQUITY	1,393,108	1,784,860
TOTAL LIABILITIES AND EQUITY	\$ 4,170,872	\$ 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 nine months ended April 30, 2020 and 2019

Unaudited, Expressed in US Dollars

	Three months Ended April 30,		Nine months ended April 30,	
	2020	2019	2020	2019
REVENUE				
Subscription	\$ 490,129	\$ 452,135	\$ 1,325,914	\$ 1,498,438
Contract and implementation	672,383	105,065	925,577	166,739
Total Revenue	1,162,512	557,200	2,251,491	1,665,177
OPERATING EXPENSES				
Amortization	52,009	65,541	164,218	167,526
Advertising and marketing	66,828	69,679	185,509	290,562
Consulting fees (note 17)	118,677	118,098	317,701	293,131
Filing fees and subscriptions	29,348	10,256	64,058	46,481
Insurance	58,711	30,966	160,780	91,390
Office expenses	15,042	8,951	63,713	49,346
Hosting and telecommunication	76,462	97,214	209,225	261,130
Software licenses (note 9)	26,677	32,061	102,840	94,789
Professional fees (note 17)	72,864	50,742	175,683	114,764
Rent	16,136	26,158	60,123	65,853
Salaries and wages (note 17)	511,943	221,861	1,241,618	719,154
Sales commission (note 7)	11,429	-	21,142	-
Share-based payments (notes 16(c), 16(d), 17)	10,449	10,039	69,599	149,065
Total Operating Expenses	1,066,575	741,566	2,836,209	2,343,191
GAIN (LOSS) FROM OPERATIONS	95,937	(184,366)	(584,718)	(678,014)
FINANCE COSTS				
Interest	(65,571)	(22,253)	(220,587)	(63,034)
OTHER INCOME (EXPENSES)				
Gain on settlement of liabilities	-	(11)	-	42,057
Foreign exchange loss	1,203	(328)	(5,796)	(6,241)
Other revenue	19	(387)	66	(274)
NET GAIN (LOSS)	31,588	(207,345)	(811,035)	(705,506)
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified to net loss:				
Foreign currency translation adjustment	(53,102)	(37,138)	(60,438)	(58,617)
COMPREHENSIVE LOSS	\$ (21,514)	\$ (244,483)	\$ (871,473)	\$ (764,123)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.000)	\$ (0.001)	\$ (0.006)	\$ (0.005)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	152,197,514	141,103,325	146,364,190	140,830,131

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 nine months ended April 30, 2020 and 2019

Unaudited, Expressed in US Dollars

	Share capital			Foreign currency translation adjustment	Deficit	Total
	Number of shares	Amount	Reserves			
Balance, July 31, 2018	139,672,988	\$ 6,859,359	\$ 852,911	\$ (67,400)	\$ (5,367,543)	\$ 2,277,327
Warrants issued for services	-	-	37,723	-	-	37,723
Shares issued to settle debt	1,000,000	34,124	-	-	-	34,124
Options granted as share-based payments	-	-	77,017	-	-	77,017
Restricted share units granted as share-based payments	-	-	61,107	-	-	61,107
Restricted share units exercised	100,000	11,195	-	-	-	11,195
Warrants exercised	400,000	15,192	-	-	-	15,192
Other comprehensive income	-	-	-	(58,617)	-	(58,617)
Net loss for the period	-	-	-	-	(705,506)	(705,506)
Balance, April 30, 2019	141,172,988	\$ 6,919,870	\$ 1,028,758	\$ (126,017)	\$ (6,073,049)	\$ 1,749,562
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	-	-	19,558	-	-	19,558
Restricted share units granted as share-based payments	-	-	50,042	-	-	50,042
Restricted share units exercised	225,000	4,849	(4,849)	-	-	-
Shares issued in private placement, net of share issue costs	10,799,526	302,799	-	-	-	302,799
Shares to be issued	-	107,322	-	-	-	107,322
Other comprehensive loss	-	-	-	(60,438)	-	(60,438)
Net loss for the period	-	-	-	-	(811,035)	(811,035)
Balance, April 30, 2020	152,197,514	\$ 7,378,137	\$ 1,103,675	\$ (156,728)	\$ (6,931,976)	\$ 1,393,108

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 nine months ended April 30, 2020 and 2019
Unaudited, Expressed in US Dollars

	Nine months ended April 30,	
	2020	2019
OPERATING ACTIVITIES		
Net loss for the period	\$ (811,035)	\$ (705,506)
Adjustments for non-cash items:		
Amortization	164,218	167,526
Software licenses amortization	64,584	-
Gain on settlement of liabilities	-	42,057
Share-based payments	69,599	149,065
	(512,634)	(346,858)
Change in operating working capital		
Accounts payable	(25,426)	184,969
Accounts receivable	(212,046)	39,192
Contract liabilities	75,295	56,326
Prepaid expenses and deposits	6,423	103,401
Lease obligation	4,396	-
Contract acquisition costs	(65,889)	-
Cash flow from (used in) operating activities	(729,881)	37,030
INVESTING ACTIVITIES		
Purchases of property and equipment	(12,264)	(211,354)
Development of intangible assets	-	(324,606)
Cash flow used in investing activities	(12,264)	(535,960)
FINANCING ACTIVITIES		
Proceeds from (payments on) finance lease obligations	(30,544)	121,044
Proceeds from advances payable	311,219	-
Proceeds from issuance of convertible debenture	-	173,606
Proceeds from shares issued in private placement	302,799	-
Proceeds from loan	45,369	-
Shares to be issued	107,322	-
Warrants exercised	-	15,192
Cash flow from financing activities	736,165	309,842
Net cash decrease	(5,980)	(189,088)
Effect of movements in exchange rates on cash	49,146	5,115
CASH AND CASH EQUIVALENTS, beginning of period	122,370	332,333
CASH AND CASH EQUIVALENTS, end of period	\$ 165,536	\$ 148,360

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

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Interim Consolidated Financial Statements

For the nine months ended April 30, 2020 and 2019

Unaudited, Expressed in US Dollars

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 nine months ended April 30, 2020 include the financial information of HealthSpace and its wholly owned subsidiary HealthSpace USA Inc.

Going Concern

As at April 30, 2020, the Company had a working capital deficiency of \$1,565,815 (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.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

(continued)

Effect of COVID-19 Pandemic.

During the COVID-19 pandemic accounts receivable aging has extended, in some cases considerably, beyond industry and the Company averages. This extension has been due to mass furloughing, or work from home status, of state and local government staff all over North America. Approximately \$500,000 has extended beyond 90 days as a direct result of the COVID-19 pandemic, though no receivables at this time are in jeopardy of not being received. We expect to see this trend continue for at least the next 90 days before more normal operations are restored in the government space in North America and in-office operations resume as they were prior to the pandemic.

There have been multiple contracts that were expected to close in the quarter 3rd and 4th quarters of fiscal 2020 which have subsequently been delayed due to the same reasons stated above. At this time, HealthSpace does not expect any of those contracts to be delayed permanently. Multiple contracts that were in late stages in March that have been delayed to the latter half of 2020.

At this time it is difficult to completely estimate the impact of the COVID-19 pandemic to the Company's growth long term as the situation remains very fluid and rapidly evolving. It is known that state and local government budgets will be under severe strain due to the economy closing and a resulting drop off in tax and fee revenue. HealthSpace believes, at this time, that the impact of this on our business is not likely to be severe enough to negatively impact sales growth.

HealthSpace's customers perform a regulatory function which is classified as a vital public service that cannot be eliminated from budgets. Further, our customers, public health agencies, are beginning to receive federal CARES Act grants, as well as funds supplied by the CDC and FEMA, for the use in public health preparedness and system improvement. HealthSpace has already had contracts funded through these programs and, at this time, believes that there is a likelihood our customers will have additional funds to spend on products like HSCloud Suite. HealthSpace is taking definitive steps to position itself to leverage these funds across the USA and grow revenue in the latter half of 2020 and well into 2021.

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").

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the nine months ended April 30, 2020 and 2019
Unaudited, Expressed in US Dollars

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 I *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 June 25, 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 nine months ended April 30, 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
April 30, 2020	\$1.3910	\$0.7189

Averages, nine months ended	US to CDN	CDN to US
April 30, 2019	\$1.3217	\$0.7567
April 30, 2020	\$1.3393	\$0.7472

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 Contract acquisition costs 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.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the nine months ended April 30, 2020 and 2019
Unaudited, Expressed in US Dollars

3. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS (continued)

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.

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		(100,276)
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Goodwill, April 30, 2020	\$	1,728,741

None of the goodwill recognized is expected to be deductible for tax purposes and, as of April 30, 2020, no impairment has been identified.

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the nine months ended April 30, 2020 and 2019
Unaudited, Expressed in US Dollars

5. 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	12,264	-	12,264
Effect of movement in exchange rates	(18,080)	-	(18,080)
Balance, April 30, 2020	\$ 350,626	\$ 4,229	\$ 354,855
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	55,915	182	56,097
Effect of movement in exchange rates	(7,767)	-	(7,767)
Balance, April 30, 2020	\$ 180,940	\$ 3,195	\$ 184,135
NET BOOK VALUE			
Balance, July 31, 2018	\$ 61,563	\$ 1,520	\$ 63,083
Balance, July 31, 2019	\$ 223,650	\$ 1,216	\$ 224,866
Balance, April 30, 2020	\$ 169,686	\$ 1,034	\$ 170,720

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Interim Consolidated Financial Statements

For the nine months ended April 30, 2020 and 2019

Unaudited, Expressed in US Dollars

6. INTANGIBLE ASSETS

	Unpatented technology	Customer relationships and contracts	Inspection application (Note 6a)	Customizable Application (Note 6b)	Total
COST					
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	-	-	-	-	-
Effect of movements in exchange rates	(6,621)	(1,671)	(26,796)	(36,204)	(71,292)
Balance, April 30, 2020	\$ 114,135	\$ 28,799	\$ 461,945	\$ 924,287	\$ 1,529,166
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	2,245	28,693	70,977	108,121
Effect of movements in exchange rates	(6,596)	(1,036)	(21,413)	(9,149)	(38,194)
Balance, April 30, 2020	\$ 114,135	\$ 18,548	\$ 378,011	\$ 205,696	\$ 716,390
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, April 30, 2020	\$ -	\$ 10,251	\$ 83,934	\$ 718,591	\$ 812,776

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the nine months ended April 30, 2020 and 2019
Unaudited, Expressed in US Dollars

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 nine months ended April 30, 2020 and \$346,404 during the year ended July 31, 2019.

7. CONTRACT ACQUISITION COSTS

The following table represents changes in contract acquisition costs:

	Nine months ended April 30, 2020	
Balance, beginning of period	\$	-
Additions		188,765
Amortization		(21,142)
Effect of movements in exchange rates		(2,740)
Balance, end of period	\$	164,883

HEALTHSPACE DATA SYSTEMS LTD.
Notes to the Interim Consolidated Financial Statements
For the nine months ended April 30, 2020 and 2019
Unaudited, Expressed in US Dollars

7. CONTRACT ACQUISITION COSTS (continued)

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 sales commissions. Commissions liability represent commissions payable for procuring a contract with a customer.

8. RIGHT OF USE ASSET

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 April 30, 2020. The lease payments are discounted using 20% interest rate implicit in the lease, which is the Company's incremental borrowing rate.

Balance as at August 1, 2019	\$	-
Additions		112,202
Depreciation		(57,665)
Effect of movement in exchange rates		1,193
As at April 30, 2020	\$	55,730

9. 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
Reduction in number o licenses	(50,659)
Effect of movements in exchange rates	(13,925)
Balance, April 30, 2020	\$ 224,403

The Company's legacy HealthSpace EnviroIntel EHS Manager application runs on top of HCL Notes. for HCL Technologies acquired the Notes platform from IBM in 2019. The Company had an agreement with IBM Canada to be an authorized service provider. As part of this agreement, the Company held 3,043 annual usage licenses and 1,100 server processor licenses from IBM Canada and was authorized to distribute the usage rights to clients of the Company. During the nine months ended April 30, 2020 the Company entered into an agreement with HCL Technologies and gave up 1,043 usage licenses, accordingly \$50,659 was expensed as Software license expense. These licenses remain under the control of the Company and are property of the Company if the Company holds a maintenance contract with HCL Technologies. 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.

HEALTHSPACE DATA SYSTEMS LTD.
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9. SOFTWARE LICENSES (continued)

The expense related to the maintenance contract and reduction in the number of licenses is recorded as “Software Licenses” in the consolidated statements of loss and comprehensive loss.

10. LEASE OBLIGATIONS

The Company’s leases are for office spaces in Canada and in the US. These leases contain no renewal option or a renewal option for one or two years. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option.

The following table presents lease obligations:

Minimum lease payments:	
Fiscal year 2020	\$ 55,107
Fiscal year 2021	12,467
Total future minimum lease payments	67,574
Less: Imputed interest	(7,448)
	<u>60,126</u>
Less: Current portion	\$ 50,027
Long-term portion of future minimum lease payments	<u>\$ 10,099</u>

11. 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.

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11. 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 nine months ended April 30, 2020 are as follows:

	Nine months April 30, 2020	Year ended July 31, 2019
Contract liabilities, beginning of period	\$ 766,303	\$ 549,224
Revenue recognized that was included in the contract liability balance at the beginning of the year	(701,872)	(495,368)
Amounts invoiced and revenue deferred	785,056	715,894
Effect of movement in exchange rates	(7,889)	(3,447)
Contract liabilities, end of period	\$ 841,598	\$ 766,303
Current portion	\$ 725,937	\$ 725,075
Long-term portion	115,661	41,228

12. NOTES AND LOANS

(a) 2009 loan

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.

(b) 2019 Loan

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. During the nine months ended April 30, 2020 the Company paid \$1,562 in interest.

Future minimum payments related to the loan are:

Fiscal year 2020	\$ 2,153
Fiscal year 2021	12,921
Fiscal year 2022	5,384
Total future minimum payments	20,458
Less: Imputed interest	(2,772)
	17,686
Less: Current portion	\$ 9,626
Long-term portion of future minimum payments	\$ 8,060

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12. NOTES AND LOANS (continued)

(b) CEBA Loan

During the nine months ended April 30, 2020 the Company applied and received CAD\$40,000 loan from the Government of Canada under the Canada Emergency Business Account (“CEBA”) program. No interest is accruing on the loan until December 31, 2022. Interest will accrue on the outstanding balance commencing on January 1, 2023 at a rate of 5% per annum calculated monthly, both before and after Maturity Date (December 31, 2025). No principal payments are required to be paid until Maturity Date. Interest on the outstanding balance shall be payable monthly on the 1st day of each month commencing January 1, 2023. The outstanding principal balance of the CEBA loan together with accrued interest is payable on Maturity Date. 25% of the CEBA loan will be forgiven if the remaining 75% of the CEBA loan is paid on or before December 31, 2022.

13. 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 April 30, 2020, advances and fees of \$453,362 are payable to the lender (July 31, 2019 - \$142,143) and \$525,839 (July 31, 2019 - \$172,506) of accounts receivable have been pledged as collateral for the advances.

14. FINANCE LEASE OBLIGATIONS

The Company has leased computer hardware with a net carrying amount of \$135,427 included in property and equipment as at April 30, 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	\$	15,620
Fiscal year 2021		62,480
Fiscal year 2022		20,826
<hr/>		
Total future minimum lease payments		98,926
Less: Imputed interest		(14,400)
Less: Current portion		(50,338)
<hr/>		
Long-term portion of future minimum lease payments	\$	34,188

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15. CONVERTIBLE DEBENTURES

	April 30, 2020	July 31, 2019
2018 Convertible Debentures	\$ 359,450	\$ 380,300
2016 Convertible Debentures	212,076	224,377
Total Convertible debentures	571,526	604,677
Less: current portion	571,526	-
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.
- 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.

15. CONVERTIBLE DEBENTURES (continued)

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.

16. SHARE CAPITAL

(a) Common Shares Authorized

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

(b) Common Shares Issued

During the nine months ended April 30, 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 \$4,849 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.

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16. SHARE CAPITAL (continued)

(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 nine months ended April 30, 2019, the Company granted 750,000 share purchase options with a term of five years and an exercise price of CAD\$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\$0.04
Exercise price	CAD\$0.07
Risk-free interest rate	0.96%
Expected option life	5 years
Expected volatility over the option life	134.6%
Expected dividends	\$Nil

During the nine months ended April 30, 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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16. SHARE CAPITAL (continued)

(c) Share Purchase Options (continued)

The following is a summary of the Company's share purchase options outstanding as at April 30, 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	0.59
November 24, 2021	\$0.08	1,795,000	1,795,000	1.57
March 8, 2022	\$0.08	75,000	75,000	1.85
December 15, 2022	\$0.15	1,870,000	1,870,000	2.63
July 3, 2023	\$0.08	300,000	300,000	3.18
September 5, 2023	\$0.08	870,000	870,000	3.35
September 11, 2023	\$0.08	65,000	65,000	3.37
December 18, 2023	\$0.08	500,000	500,000	3.64
August 8, 2024	\$0.05	500,000	500,000	4.28
April 16, 2025	\$0.10	250,000	250,000	4.96
Total		7,895,000	7,895,000	2.30

The following is a continuity of the share purchase options as at April 30, 2020:

	Nine months ended April 30, 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	750,000	\$ 0.07	1,535,000	\$ 0.08
Cancelled	(300,000)	\$ 0.09	(1,600,000)	\$ 0.13
Balance, end of period	7,895,000	\$ 0.12	7,445,000	\$ 0.12
Exercisable, end of period	7,895,000	\$ 0.12	7,445,000	\$ 0.12

During the nine months ended April 30, 2020, the Company recorded \$19,558 (2019 - \$77,017) as share-based payments related to share purchase options.

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16. SHARE CAPITAL (continued)

(d) Restricted Share Units

The following is a continuity of Restricted Share Units (“RSUs”) as at April 30, 2020:

	Nine months ended April 30, 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 nine months ended April 30, 2020, the Company granted 1,850,000 RSUs to directors, officers and employees vesting immediately. During the nine months ended April 30, 2020 the Company recorded \$50,041 (2019 - \$61,107) 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 nine months ended April 30, 2020 225,000 RSUs were exercised and 25,000 forfeited.

(e) Share Purchase Warrants

During the nine months ended April 30, 2020, as part of the private placement (Note 16(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 nine months ended April 30, 2020 11,584,000 warrants expired unexercised.

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16. 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 April 31, 2020:

	Nine months ended April 30, 2020		Year ended July 31, 2019	
	Number of Warrants	Weighted Average Exercise Price (CAD)	Number of Warrants	Weighted Average Exercise Price (CAD)
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 April 30, 2020 is 1.62 years (July 31, 2019 – 0.50 years).

17. RELATED PARTY TRANSACTIONS

As at April 30, 2020, accounts payable and accrued liabilities included \$39,830 (July 31, 2019 - \$29,512) owing to directors, officers and companies controlled by directors and officers.

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17. RELATED PARTY TRANSACTIONS (continued)

For the nine months ended April 30, 2020, \$185,118 (2019 - \$149,637) 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 \$196,548 (2019 - \$91,438) for the nine months ended April 30, 2020.

During the nine months ended April 30, 2020, the Company recorded \$41,038 (2019 - \$28,486) in share-based payments for the share purchase options and restricted share purchase units granted to directors and officers of the Company.

18. 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 nine months ended April 30, 2020 and 2019 and therefore, the Company's diluted loss per share is equal to its basic loss per share.

19. 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 nine months ended			
April 30, 2020			
Subscription revenues	\$ 352,014	\$ 973,900	\$ 1,325,914
Contract and implementation revenues	\$ 5,682	\$ 919,895	\$ 925,577
For the nine months ended			
April 30, 2019			
Subscription revenues	\$ 377,389	\$ 1,121,049	\$ 1,498,438
Contract and implementation revenues	\$ 2,270	\$ 164,469	\$ 166,739

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19. OPERATING SEGMENTS (continued)

For the three months ended			
April 30, 2020			
Subscription revenues	\$ 111,627	\$ 378,502	\$ 490,129
Contract and implementation revenues	\$ -	\$ 672,383	\$ 672,383
For the three months ended			
April 30, 2019			
Subscription revenues	\$ 132,170	\$ 319,965	\$ 452,135
Contract and implementation revenues	\$ (9)	\$ 105,074	\$ 105,065

	Canada	United States of America	Total
As at April 30, 2020			
<i>Non-current assets</i>			
Property and equipment	\$ 162,518	\$ 8,202	\$ 170,720
Intangible assets	\$ 544,970	\$ 267,806	\$ 812,776
Software license	\$ 244,403	\$ -	\$ 244,403
Goodwill	\$ 1,728,741	\$ -	\$ 1,728,741
<i>Total assets</i>	\$ 2,968,845	\$ 1,202,027	\$ 4,170,872
<i>Total liabilities</i>	\$ 1,968,053	\$ 809,711	\$ 2,777,764

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 nine months ended April 30, 2020, revenues from two major customers in the United States of America represented \$280,213 (July 31, 2019 - \$400,455) of the Company's total revenues.

20. 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.

21. 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 April 30, 2020 is \$801,505 (July 31, 2019 - \$589,459), representing customer accounts receivable. As at April 30, 2020, the Company has pledged accounts receivable of \$525,839 (July 31, 2019 - \$172,506) as collateral for advances received under an accounts receivable financing agreement (Note 13).

The Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required. When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at April 30, 2020, the Company's two largest customers accounted for \$280,213 of the balance of accounts receivable (July 31, 2019 - \$400,455).

21. MANAGEMENT OF FINANCIAL RISK (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk from its secured loans, convertible debentures and notes payable. The risk that the Company will realize a loss as a result of an increase of 1% in the prime interest rate is minimal as the majority of the Company's borrowings are at a fixed rate.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 20. 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 14. Convertible debentures are due based on the terms disclosed in Note 15.

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.

22. SUBSEQUENT EVENTS

On May 1, 2020 the Company closed a private placement. The offering consisted of both brokered and non-brokered components, and resulted in the issuance of 44,000,000 units of the Company at a price of CAD\$0.065 per unit for gross proceeds of CAD\$2,860,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of CAD\$0.10 per Common Share for a period of 36 months from the closing date of the Offering. The Company paid a cash commission to the agent and members of the agent's selling group equal to CAD\$231,856 plus expenses and legal fees, issued 1,222,248 common shares and 3,259,328 compensation warrants exercisable into common shares at a price of CAD\$0.065 per common share for a period of 36 months from the date of issuance.

On May 1, 2020 the Company granted 1,100,000 incentive stock options exercisable into common shares at CAD\$0.10. The stock options granted are subject to a vesting schedule, whereby 25% of the granted options vest immediately upon the grant date of May 1, 2020, and 25% vest every three months thereafter.

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22. SUBSEQUENT EVENTS (continued)

On May 4, 2020 the Company received a loan under the United States Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) pursuant to the recently adopted Coronavirus Aid, Relief, and Economic Security Act. The Company received a \$153,587 unsecured PPP Loan. The two-year, SBA-administered PPP loan has an interest rate of 1% per annum, with principal and interest payments due on the first day of each month, with payments commencing on December 1, 2020. All or a portion of the Loan may be forgiven if the Company maintains its employment and compensation within certain parameters during the eight-week period following the loan origination date and the proceeds of the loan are spent on payroll costs, rent or lease agreements dated before February 15, 2020 and utility payments arising under service agreements dated before February 15, 2020.