



HEALTHSPACE DATA SYSTEMS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED APRIL 30, 2020

HEALTHSPACE DATA SYSTEMS LTD.

Management's Discussion and Analysis

For the nine months ended April 30, 2020

(Expressed in US dollars)

GENERAL

The following is management's discussion and analysis ("MD&A") of HealthSpace Data Systems Ltd.'s ("HealthSpace" or the "Company") operating and financial results for the nine months ended April 30, 2020, as well as information and expectations concerning the Company's outlook based on currently available information. This report is dated June 25, 2020.

This MD&A should be read in conjunction with the Company's interim consolidated financial statements for the nine months ended April 30, 2020. Additional information is available at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

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1. SUMMARY OF OPERATIONS, EVENTS AND FUTURE PLANS

HealthSpace is an industry leading technology company currently providing inspection, information, communication and data management systems for federal, state, county and municipal governments. Over the last decade, HealthSpace has successfully developed both enterprise and mobile internet-based applications currently serving over 500 state and local government organizations across North America. HealthSpace currently offers the only integrated inspection, administration and analytics product suite across all platforms in North America.

Further, HealthSpace now delivers its government grade technologies to private businesses enabling them to gain visibility and predictability into their own organizations and move from a reactive to a proactive operational status. HealthSpace continues to deliver focused service and innovative solutions to government organizations, while expanding into commercial enterprise verticals to enable new customers with proactive environmental health best practices and policies. HealthSpace has now entered into the FinTech space by creating a payment platform that streamlines the intake of government revenue for the agencies it serves.

Effect of COVID-19 Pandemic

During the COVID-19 pandemic accounts receivable aging has extended, in some cases considerably, beyond industry and 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 COVID-19 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.

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2. DESCRIPTION OF BUSINESS

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

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

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

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

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Technology and Infrastructure

HSCloud

HSCloud is a fully-customizable cloud-based platform for managing applications, licenses, permits, inspections and virtually any other data needed to operate state and local government agencies. It is one of the first and only “self-serve” software platforms offered in the government space. This means users of the system, whether IT administrators or back office clerical staff, can change the platform to suit the regulatory needs with a few clicks. By doing so, HSCloud puts the full power and benefits of the cloud data management into the hands of users without needing specialized software skills.

HSTouch

HSTouch is the Company's proprietary mobile and tablet solution available for iOS and Windows operating systems. It is designed for data collection in the field and can work either connected to or disconnected from the internet and provides field inspectors an easy to use touch screen experience when recording observations in the field. Calendars, past inspections, regulatory codes and violations can be downloaded from the main system in addition to uploading newly created inspection reports. The application also provides the ability to electronically capture signatures and insert photos and email inspection reports.

EnviroIntel EHS Manager

The HealthSpace EnviroIntel EHS Manager (the “EHS”) is the legacy application still used throughout North America. It is an internet-based Windows client/server application that can run on desktop, laptop and tablet computers. Users can access the system through a web browser to fill out forms, request information and view data including real-time reports. More than half of all customers utilizing the EHS application are in the process of migration or have already migrated to the Company's HSCloud platform.

Since 2012, the Company has developed its HSCloud suite system that includes HSTouch and HSCloud. The Company has embarked on a program to migrate current EHS users to the new system. This process will take approximately three years to complete.

Research and Development

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

FinTech Platform (HSPay)

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

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Open-source Web Platform (MyHealthDepartment.com)

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

Infrastructure

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

Mobile Devices

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

Intellectual Property

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

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

3. SELECTED ANNUAL INFORMATION

The following table provides a summary of the Company's financial operations for the three most recently completed fiscal years. For more detailed information pertaining to the Company, please see HealthSpace's annual audited consolidated financial statements for the years ended July 31, 2019, 2018 and 2017.

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Year ended July 31,	2019	2018	2017
Revenue	\$ 2,586,241	\$ 2,200,030	\$ 1,913,243
Operating expenses	3,218,586	3,049,011	3,470,299
Other income (expenses)	(121,052)	(94,045)	(263,891)
Net loss	(753,397)	(943,026)	(1,820,947)
Loss per share, basic and fully diluted	(0.01)	(0.01)	(0.02)
Operating cash	122,370	332,333	161,851
Working capital deficiency	(804,652)	(675,649)	(1,378,049)
Total assets	4,061,695	3,720,685	3,197,429
Total long-term liabilities	707,353	32,008	1,198,967
Shareholders' equity (deficiency)	\$ (1,784,860)	\$ (2,277,326)	\$ 245,445

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

4. DISCUSSION OF OPERATIONS

Following is a discussion of the Company's financial results for the three and nine months ended April 30, 2020, compared to the same period in the prior fiscal year. The interim consolidated financial statements of the Company for the nine months ended April 30, 2020 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All inter-company balances and transactions have been eliminated.

Revenue recognition

The Company adopted IFRS 15 *Revenues from contracts with customers* effective August 1, 2019. The Company generates revenues from providing software services, principally through software access licenses and subscription fees, and related support and maintenance services to customers. Revenues from these services are recognized on a systematic basis over the contractual term for which the services are provided. The Company also generates revenues from the initial setup, customization and implementation of its software which are recognized when performance of these services is complete and control has been transferred to the customer.

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

Revenue

The Company has experienced tremendous growth over the last two years with acquiring several major customers in the US. While the subscription revenue was going down compared to the same period of the previous years the growth problems will be successfully overcome in the upcoming periods.

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	Nine months ended April 30		Variance from 2019 to 2020	
	2020	2019		
Subscriptions	\$ 1,325,914	\$ 1,498,438	\$ (172,524)	-12%
Implementation	925,577	166,739	758,838	455%
Total	\$ 2,251,491	\$ 1,665,177	\$ 586,314	35%

During the nine months ended April 30, 2020, the consolidated revenues increased by 35% compared to the prior year comparative period. The revenues related to subscriptions decreased 12% and the revenue related to contract implementation increased by 455% compared to the same period of the previous year. The change in the structure of the revenue is mainly attributable to transitioning current customers to a new software system based on the cloud platform. During the transition period current customers are given discounts in subscription fees and charged for setup and implementation of the new platform. Significant increase in implementation revenue in part is coming from new customers acquired in the United States.

	Three months ended April 30		Variance from 2019 to 2020	
	2020	2019		
Subscriptions	\$ 490,129	\$ 452,135	\$ 37,997	8%
Implementation	672,383	105,065	567,318	540%
Total	\$ 1,162,512	\$ 557,200	\$ 605,312	109%

During the three months ended April 30, 2020, the consolidated revenues increased by 109% compared to the prior year comparative period. The revenues related to subscriptions increased by 8% and the revenue related to contract implementation increased by 540% compared to the same period of the previous year. The change in the structure of the revenue is mainly attributable to transitioning current customers to a new software system based on the cloud platform. During the transition period current customers are given discounts in subscription fees and charged for setup and implementation of the new platform. Significant increase in implementation revenue in part is coming from new customers acquired in the United States.

Revenues and Direct Costs

	Nine months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Revenue	\$ 2,251,491	\$ 1,665,177	\$ 586,314	35%
Software licenses	102,840	94,789	8,051	8%
Hosting and telecommunication	209,225	261,130	(51,905)	-20%
Net revenue	\$ 1,939,426	\$ 1,309,258	\$ 630,168	48%

The net revenues over direct costs for the nine months ended April 30, 2020 increased by 48% compared to the prior year comparative period. Hosting costs decreased as the Company completed optimization, of its data and hosting expenses by distributing them between Canada and the United States during the year ended July 31, 2019.

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	Three months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Revenue	\$ 1,162,512	\$ 557,200	\$ 605,312	109%
Software licenses	26,677	32,061	(5,384)	-17%
Hosting and telecommunication	76,462	97,214	(20,752)	-21%
Net revenue	\$ 1,059,373	\$ 427,925	\$ 631,448	148%

The net revenues over direct costs for the three months ended April 30, 2020 increased by 148% compared to the prior year comparative period. Hosting costs decreased by 21% as the Company completed optimization of its data and hosting expenses by distributing them between Canada and the United States during the year ended July 31, 2019.

Revenue by geographic region

CANADA	Nine months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Subscriptions	\$ 352,014	\$ 377,389	\$ (25,375)	-7%
Implementation	5,682	2,270	3,412	150%
Total, Canada	\$ 357,696	\$ 379,659	\$ (21,963)	-1%
% of Total	16%	23%	-7%	

UNITED STATES	Nine months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Subscriptions	\$ 973,900	\$ 1,121,049	\$ (147,149)	-13%
Implementation	919,895	164,469	755,426	459%
Total, United States	\$ 1,893,795	\$ 1,285,518	\$ 608,277	-2%
% of Total	84%	77%	7%	
TOTAL	\$ 2,251,491	\$ 1,665,177	\$ 586,314	35%

During the nine months ended April 30, 2020, total revenues in Canada stayed approximately the same compared to the revenues during the nine months ended April 30, 2019. During the nine months ended April 30, 2020, the decrease in subscription revenues in the United States was offset by an increase in implementation revenue which increased by 459% over the prior year comparative period. The changes are mainly due to completion of initial set-up and implementation services related to transitioning current clients to a new cloud-based platform for the United States customers and acquiring several major customers with subscription revenues spread over several years.

Canadian and United States revenues accounted for 16% and 84%, respectively, of total revenues during the nine months ended April 30, 2020. During the nine months ended April 30, 2019 Canadian and United States revenues accounted for 23% and 77%, respectively, of total revenues.

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CANADA	Three months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Subscriptions	\$ 111,627	\$ 132,170	\$ (20,543)	-16%
Implementation	-	(9)	9	-100%
Total, Canada	\$ 111,627	\$ 132,161	\$ (20,534)	-16%
% of Total	10%	24%	-14%	

UNITED STATES	Three months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Subscriptions	\$ 378,502	\$ 319,965	\$ 58,537	18%
Implementation	672,383	105,074	567,309	540%
Total, United States	\$ 1,050,885	\$ 425,039	\$ 625,846	147%
% of Total	90%	76%	14%	
TOTAL	\$ 1,162,512	\$ 557,200	\$ 605,312	109%

During the three months ended April 30, 2020, total revenues in Canada decreased in part due to the change in the currency exchange rate from US dollars to Canadian dollars as revenue is recorded in Canadian dollars and reported in the US dollars.

During the three months ended April 30, 2020, the increase in subscription revenues in the United States was supported by an increase in implementation revenue which increased by 540% over the prior year comparative period. The changes are mainly due to completion of initial set-up and implementation services for the United States customers and acquiring major customers with subscription revenues spread over several years.

Canadian and United States revenues accounted for 10% and 90%, respectively, of total revenues during the three months ended April 30, 2020 which is consistent with the comparative period of the prior year.

Selling and Marketing

	Nine months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Advertising and promotion	\$ 185,509	\$ 290,562	\$ (105,053)	-36%
Sales commission	21,142	-	21,142	100%
Total	\$ 206,651	\$ 290,562	\$ (83,911)	-29%

During the nine months ended April 30, 2020, selling and marketing expenses decreased by \$83,911 compared to the prior year comparative period. The Company is shifting its marketing strategy having sales agents working with customers on a one by one basis.

	Three months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Advertising and promotion	\$ 66,828	\$ 69,679	\$ (2,851)	-4%
Sales commission	11,429	-	11,429	100%
Total	\$ 78,257	\$ 69,679	\$ 8,578	12%

During the three months ended April 30, 2020, selling and marketing expenses increased by \$8,578 or 12%

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compared to the prior year comparative period. The Company's sales agents are now working with prospective customers on a one by one basis which resulted in significant increase in implementation revenues over the last three months ended April 30, 2020. This approach is the most effective way of using available resources.

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

	Nine months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Consulting fees	\$ 317,701	\$ 293,131	\$ 24,570	8%
Filing fees and subscriptions	64,058	46,481	17,577	38%
Insurance	160,780	91,390	69,390	76%
Office expenses	63,713	49,346	14,367	29%
Professional fees	175,683	114,764	60,919	53%
Rent	60,123	65,853	(5,730)	-9%
Salaries and wages	1,241,618	719,154	522,464	73%
Total Operating expenses	\$ 2,083,676	\$ 1,380,119	\$ 703,557	51%

During the nine months ended April 30, 2020, G&A expenses increased by 51% or by \$703,557 to \$2,083,676 from \$1,380,119 incurred during the prior year comparative period. The increase is mainly comprised of an increase in salaries and wages expense. Increase in insurance expense reflects increase in health care benefits provided by the Company to its US employees and increase in the number of US employees. With higher number of customers, the Company is hiring additional software engineers to support and maintain the newly developed HS Cloud system.

	Three months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Consulting fees	\$ 118,677	\$ 118,098	\$ 579	0%
Filing fees and subscriptions	29,348	10,256	19,092	186%
Insurance	58,711	30,966	27,745	90%
Office expenses	15,042	8,951	6,091	68%
Professional fees	72,864	50,742	22,122	44%
Rent	16,136	26,158	(10,022)	-38%
Salaries and wages	511,943	221,861	290,082	131%
Total Operating expenses	\$ 822,721	\$ 467,032	\$ 355,689	76%

During the three months ended April 30, 2020, G&A expenses increased by 76% or by \$355,689 to \$822,721 from \$467,032 incurred during the prior year comparative period. The increase is mainly comprised of an increase in salaries and wages expense. Increase in insurance expense reflects increase in health care benefits provided by the Company to its US employees and increase in the number of US employees. With higher number of customers, the Company is hiring additional software engineers to support and maintain the newly developed HS Cloud platform.

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Interest and financing costs

	Nine months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Interest	\$ 99,607	\$ 63,034	\$ 36,573	58%
Factoring fee	120,980	-	120,980	100%
Total	\$ 220,587	\$ 63,034	\$ 157,553	250%

Interest and financing costs for the nine months ended April 30, 2020 increased by \$157,553 to \$220,587 from \$63,034 incurred during the prior year comparative period. The factoring fee expense relates to the short-term resources to finance immediate financial needs.

	Three months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Interest	\$ 29,446	\$ 21,032	\$ 8,414	40%
Factoring fee	36,125	1,221	34,904	2859%
Total	\$ 65,571	\$ 22,253	\$ 43,318	195%

Interest and financing costs for the three months ended April 30, 2020 increased by \$43,318 to \$65,571 from \$22,253 incurred during the prior year comparative period. The factoring fee expense relates to the short-term resources to finance immediate financial needs.

Net Loss

	Nine months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Net Loss from operations	\$ 548,718	\$ 678,014	\$ (93,296)	-14%
Net Loss	811,035	705,506	105,529	15%
Net Loss per share	\$ 0.006	\$ 0.005	\$ 0.001	11%
Basic and diluted number of shares outstanding	146,364,190	140,830,131		

Loss from operations during the nine months ended April 30, 2019 decreased by \$93,296 or by 14% over the prior year comparative period resulting in a net loss from operations of \$678,014. The decrease in the net loss from operations is mainly due to the increase in revenue. Net loss during the nine months ended April 30, 2020 increased by \$105,529 or 15% to \$811,035 from \$705,506 compared to prior year comparative period due to increase in interest and financing costs.

	Three months ended April 30,		Variance from 2019 to 2020	
	2020	2019		
Net Loss (gain) from operations	\$ (95,937)	\$ 184,366	\$ (280,303)	-152%
Net Loss (gain)	(31,588)	207,345	(238,933)	-115%
Net Loss per share	\$ 0.000	\$ 0.001	\$ (0.000)	-114%
Basic and diluted number of shares outstanding	152,197,514	141,103,325		

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The Company had a net gain from operations of \$95,937 during the three months ended April 30, 2020 compared to a net loss of \$184,366 during the three months ended April 30, 2019. The decrease in the net loss from operations is mainly due to the increase in revenue. The Company had a net gain of \$31,588 during the three months ended April 30, 2020 compared to a net loss of \$204,345 during the three months ended April 30, 2019. The decrease in the net loss from operations is mainly due to the increase in revenue.

5. SELECTED QUARTERLY INFORMATION

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

Quarter ended	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019
Revenues	\$ 1,162,512	\$ 458,449	\$ 630,530	\$ 921,064
Operating expenses	1,066,575	868,193	901,441	875,395
Net gain (loss) from operations	95,937	(409,744)	(270,911)	45,669
Net loss	(31,588)	(497,935)	(344,688)	(47,891)
Net loss per share	\$ (0.000)	\$ (0.003)	\$ (0.003)	\$ (0.001)

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

6. CONSOLIDATED FINANCIAL POSITION

	April 30, 2020	July 31, 2019	Variance
Working capital deficit	\$ (1,565,815)	\$ (804,652)	\$ (761,163)
Property and equipment	170,720	224,866	(54,146)
Intangible assets	812,776	953,995	(141,219)
Right of use asset	55,730	-	55,730
Contract acquisition costs	164,883	-	164,883
Software license	224,403	288,987	(64,584)
Goodwill	1,728,741	1,829,017	(100,276)
Total long-term assets	3,157,253	3,296,865	(139,612)
Contract liabilities	115,661	41,228	(74,433)
Loans	38,382	-	38,382
Finance lease obligations (long-term)	34,188	61,448	(27,260)
Office lease obligations	10,099	-	10,099
Convertible debentures (long-term)	-	604,677	(604,677)
Total long-term liabilities	198,330	707,353	(509,023)

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Property and Equipment and Intangible Assets

Long-term assets increased by \$74,433 at April 30, 2020 compared to July 31, 2019. The increase is mainly due to capitalized commissions and right-of-use asset recorded during the nine months ended April 30, 2020.

Software License Inventory

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. 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.

Convertible Debenture

In September 2018, the Company secured a convertible debenture in the principal amount of CAD\$500,000. The debenture, which will mature in 24 months and bear interest rate of 10% per annum, is convertible into common shares of the Company at \$0.075 per share if converted within 12 months, and \$0.10 if converted after 12 months. Additionally, the Company deferred the maturity of three existing convertible debentures, totaling CAD\$295,000, to September 29, 2020 and amended the terms of these debentures such that they are convertible into common shares of the Company at \$0.075 per share if converted within 12 months, and \$0.10 if converted after 12 months.

7. CAPITAL RESOURCES AND LIQUIDITY

	Nine months ended April 30,	
	2020	2019
Net cash flows provided by (used in) operating activities	\$ (729,881)	\$ 37,030
Net cash flows used in investing activities	(12,264)	(535,960)
Net cash flows provided by financing activities	736,165	309,842
Net (decrease) in cash	(5,980)	(189,088)
Cash at beginning of period	122,370	332,333
Effect of movements in exchange rates	49,146	5,115
Cash at end of period	\$ 165,536	\$ 148,360

The Company has experienced working capital deficits for some time as a result of its growth strategy and acquisitions of technology. Long term contractual obligations are present in the form of capital leases and convertible debentures.

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

Despite these challenges, with recent sales efforts and the release of new technologies, the Company foresees strong growth in its revenues.

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

Working Capital

As at April 30, 2020, the Company had a working capital deficiency of \$1,565,815 compared to the working capital deficiency of \$804,652 as at July 31, 2019. This was an increase of \$761,163. This deficit was financed by funds received in private placement closed in May 2020.

Convertible Debentures

In September 2018, the Company issued a secured convertible debenture in the principal amount of CAD\$500,000. The debenture, which will mature in 24 months and bear interest at a rate of 10% per annum, is convertible into common shares of the Company at \$0.075 per share if converted with 12 months, and \$0.10 if converted after 12 months. Additionally, the Company deferred the maturity of three existing convertible debentures, totaling CAD\$295,000, to September 29, 2020 and amended the terms of these debentures such that they are convertible into common shares of the Company at \$0.075 per share if converted with 12 months, and \$0.10 if converted after 12 months.

8. FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

As at April 30, 2020, the Company has not entered into any derivative or other off-balance sheet arrangements.

9. 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.

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.

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10. FINANCIAL INSTRUMENTS

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

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

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

The Company classifies its financial instruments as follows:

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

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

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

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

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

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

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

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

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At April 30, 2020 and 2019, there were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would have been categorized as Level 2 or 3 in the fair value hierarchy above.

11. RISK MANAGEMENT

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

Credit Risk

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

The Company's receivables consist of Goods and Services Tax due from the Federal Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at April 30, 2020 is \$801,505 (July 31, 2019 - \$589,459), representing accounts receivable.

The Company considers credit risk on its receivables from the Federal Government of Canada to be minimal. For amounts due from customers, the Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required. When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at April 30, 2020, \$291,200 of customer receivables are past due (July 31, 2019 - \$nil).

The majority of the Company's customer receivables are due from customers in the United States of America. As at April 30, 2020, the Company's two largest customers accounted for \$280,213 of accounts receivable (July 31, 2019 - \$400,455).

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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 18 of the interim consolidated financial statements for the nine months ended April 30, 2020. 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 of the Company's interim consolidated financial statements. Convertible debentures are due based on the terms disclosed in Note 15 of the Company's interim consolidated financial statements.

Other Market Risk

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

Business Risk Factors

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

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

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and scope.

- Any unauthorized disclosure or theft of private information the Company may gather could harm the Company's business.
- The Company may encounter difficulties managing its growth.
- The Company may fail to successfully market and develop its brand.
- The Company may fail to effectively expand its sales and marketing capabilities.
- The Company may experience system failures or delays in operation of our computer and communication systems.
- The Company may experience interruptions or delays in services it receives from third-party service providers, or from its own facilities, to host and deliver its products.
- The Company may fail to respond to technological developments.
- The Company may fail to protect and enforce its intellectual property rights.
- The Company may be subjected to costly and time-consuming litigation or expensive licenses from assertions of intellectual property infringement from third parties.
- Laws, regulations or enforcement actions may limit the Company's ability to collect and use information from Web users or restrict or prohibit its product offerings.
- The Company is dependent on the continued growth of the Web as a medium for widespread commerce, content, advertising and communications.
- The Company may experience an inability to attract or retain qualified personnel.
- The Company may be unsuccessful in its expansion through investments in, acquisitions of, or development of new products, or such effort may divert its management's attention.
- Changes in, or interpretations of, accounting methods or policies may require the Company to reclassify, restate, or otherwise change or revise the Company's interim consolidated financial statements.
- The Company may have inadequate internal control over financial reporting or significant existing or potential deficiencies or material weaknesses in such controls that it is not currently aware of.
- The Company may require additional capital to support business growth, and this capital may not be available on acceptable terms or at all.
- A market may not continue to develop or exist for the Company's common shares.
- The Company may lack coverage by securities or industry analysts who publish research or reports about its business or such analysts may issue adverse or misleading opinions concerning the Company.
- The Company's insiders have substantial control over HealthSpace, which could limit other shareholders' influence on the outcome of key transactions.
- The Company's management has broad discretion over use of proceeds.
- The Company may issue additional shares in an equity/debt financing that may have the effect of diluting the interest of its shareholders.
- The Company may issue additional debt which may or may not be on favorable terms.
- The Company may not be able to service the debt outstanding or issued in the future.
- The Company has incurred and will continue to incur increased costs and demands upon management as a result of becoming a public company.
- The Company does not anticipate paying dividends to common shareholders in the foreseeable future.
- Intellectual property protection (such as trademarks, copyrights and patent applications) may not be granted.

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12. OUTSTANDING SHARE DATA

Authorized Capital

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

Issued and Outstanding Shares

The Company had 152,197,514 at April 30, 2020 and 197,419,762 at June 25, 2020 shares issued and outstanding.

The following is a continuity of share purchase options issued and outstanding as at April 30, 2020 and June 25, 2020:

	Number of Options	Weighted average exercise price
Balance, April 30, 2020	7,895,000	\$ 0.12
Balance, June 25, 2020	8,650,000	\$ 0.12

The following is a continuity of warrants issued and outstanding as April 30, 2020 and June 25, 2020:

	Number of Warrants	Weighted average exercise price
Balance, April 30, 2020	12,299,526	\$ 0.05
Balance, June 25, 2020	58,058,854	\$ 0.065

The following is a continuity of the restricted share units (RSUs) issued and outstanding as at April 30, 2020 and June 25, 2020:

	Number of RSUs
Balance, April 30, 2020	4,787,500
Balance, June 25, 2020	4,787,500