



HEALTHSPACE DATA SYSTEMS LTD.

Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019
(Unaudited – Expressed in US dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

HEALTHSPACE DATA SYSTEMS LTD.
Consolidated Interim Statements of Financial Position
As at October 31, 2020
Expressed in US Dollars

	October 31, 2020	July 31, 2020
	(unaudited)	(audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 369,362	\$ 957,517
Accounts receivable (note 22)	551,131	308,815
Prepaid expenses and deposits	46,251	51,414
Total Current Assets	966,744	1,317,746
Property and equipment (note 4)	191,911	183,201
Intangible assets (note 5)	771,951	799,360
Contract acquisition costs (note 6)	309,617	271,023
Right-of-use assets (note 7)	31,645	41,919
Goodwill (note 3)	1,805,691	1,793,908
Software licenses (note 8)	234,392	232,862
TOTAL ASSETS	\$ 4,311,951	\$ 4,640,019
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 513,881	\$ 347,128
Commissions payable (note 6)	153,046	161,554
Current portion of lease obligations (note 7)	94,142	107,042
Current portion of contract liabilities (note 9)	852,677	783,284
Current portion of loans (note 10)	7,756	10,445
Convertible debentures (note 12)	-	593,070
Other liabilities	9,890	11,257
Total Current Liabilities	1,631,392	2,013,780
Long-Term Liabilities		
Lease obligations (note 7)	5,351	20,761
Contract liabilities (note 9)	32,200	22,504
Loans (note 10)	27,965	27,724
Total Long-Term Liabilities	65,516	70,989
TOTAL LIABILITIES	1,696,908	2,084,769
SHAREHOLDERS' EQUITY		
Share capital (note 13)	9,754,333	9,012,462
Reserves (note 13)	1,420,479	1,547,844
Foreign currency translation adjustment	(31,537)	(51,098)
Deficit	(8,528,232)	(7,953,958)
TOTAL SHAREHOLDERS' EQUITY	2,615,043	2,555,250
TOTAL LIABILITIES AND EQUITY	\$ 4,311,951	\$ 4,640,019

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.**Interim Consolidated Statements of Loss and Comprehensive Loss****For the three months ended October 31, 2020 and 2019***Unaudited, Expressed in US Dollars*

	Three months ended October 31,	
	2020	2019
REVENUE		
Subscription	\$ 706,013	\$ 552,650
Professional services	186,407	77,880
Total Revenue	892,420	630,530
COST OF REVENUE		
Data hosting and customer support	255,384	235,722
GROSS PROFIT	637,036	394,808
OPERATING EXPENSES		
Implementation expenses	359,020	119,776
Sales wages, commission and marketing	111,650	150,980
Research and development	149,340	12,341
General and administrative (note 14)	480,298	257,433
Share-based compensation (note 13)	11,612	56,134
Management and directors' fees (note 14)	82,051	69,055
Total Operating Expenses	1,193,971	665,719
LOSS FROM OPERATIONS	(556,935)	(270,911)
FINANCE COSTS		
Interest	(18,510)	(67,149)
OTHER INCOME (EXPENSES)	1,171	(6,628)
NET LOSS	(574,274)	(344,688)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified to net loss:		
Foreign currency translation adjustment	19,561	(2,830)
COMPREHENSIVE LOSS	\$ (554,713)	\$ (347,518)
Basic and diluted loss per share (note 15)	\$ (0.003)	\$ (0.002)
Weighted average number of shares outstanding	204,900,365	141,172,988

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

HEALTHSPACE DATA SYSTEMS LTD.

Interim Consolidated Statements of Changes in Shareholders' Equity

For the three months ended October 31, 2020 and 2019

Unaudited, Expressed in US Dollars

	Share capital		Share purchase option, warrant and restricted share unit reserves	Foreign currency translation adjustment	Deficit	Total
	Number of shares	Amount				
Balance, July 31, 2019	141,172,988	6,963,166	1,038,924	(96,290)	(6,120,940)	1,784,860
Options granted as share-based payments	-	-	9,445	-	-	9,445
Restricted share units granted as share-based payments	-	-	46,689	-	-	46,689
Other comprehensive loss	-	-	-	(2,830)	-	(2,830)
Net loss for the period	-	-	-	-	(344,688)	(344,688)
Balance, October 31, 2019	141,172,988	6,963,166	1,095,058	(99,120)	(6,465,628)	1,493,476
Balance, July 31, 2020	199,919,762	\$ 9,012,462	\$ 1,547,844	\$ (51,098)	\$(7,953,958)	\$ 2,555,250
Options granted as share-based payments	-	-	11,612	-	-	11,612
Warrants exercised	9,514,078	521,359	(138,977)	-	-	382,382
Convertible debenture exercised	2,950,000	220,512	-	-	-	220,512
Other comprehensive income	-	-	-	19,561	-	19,561
Net loss for the period	-	-	-	-	(574,274)	(574,274)
Balance, October 31, 2020	212,383,840	\$ 9,754,333	\$ 1,420,479	\$ (31,537)	\$(8,528,232)	\$ 2,615,043

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

HEALTHSPACE DATA SYSTEMS LTD.
Interim Consolidated Statements of Cash Flows
For the three months ended October 31, 2020 and 2019
Unaudited, Expressed in US Dollars

	Three months ended October	
	2020	2019
OPERATING ACTIVITIES		
Net loss for the period	\$ (574,274)	\$ (344,688)
Adjustments for non-cash and non-operating items:		
Amortization	77,698	57,679
Share-based compensation	11,612	56,133
	(484,964)	(230,876)
Change in operating working capital		
Accounts payable and accrued liabilities	165,386	(59,689)
Commissions payable	(77,200)	-
Accounts receivable	(242,316)	132,514
Contract liabilities	79,089	(85,879)
Other	5,163	4,595
Cash flow from (used in) operating activities	(554,842)	(239,335)
INVESTING ACTIVITIES		
Purchases of property and equipment	(23,800)	-
Cash flow used in investing activities	(23,800)	-
FINANCING ACTIVITIES		
Payments on lease obligations	(18,036)	(2,739)
Proceeds from (repayment of) loans	(2,595)	-
Proceeds from (repayment of) short-term advances	-	240,566
Payment of convertible debenture	(372,558)	-
Warrants exercised	382,382	-
Cash flow from financing activities	(10,807)	237,827
Net cash increase (decrease)	(589,449)	(1,508)
Effect of movements in exchange rates on cash	1,294	(378)
CASH AND CASH EQUIVALENTS, beginning of period	957,517	122,370
CASH AND CASH EQUIVALENTS, end of period	\$ 369,362	\$ 120,484

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

HEALTHSPACE DATA SYSTEMS LTD.
Interim Consolidated Financial Statements
For the three months ended October 31, 2020 and 2019
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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 consolidated financial statements for the three months ended October 31, 2020 and 2019 include the financial information of HealthSpace and its wholly owned subsidiary HealthSpace USA.

Going Concern

As at October 31, 2020, the Company had a working capital deficiency of \$664,648 (July 31, 2019 - \$696,034) and will therefore need additional funding to continue its operations. Subsequent to the period ended October 31, 2020 the Company closed its oversubscribed placement for gross proceeds of approximately CAD\$6.5 million. The Company obtained sufficient funding, which gives the Company the ability to meet its obligations as they come due.

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 \$305,530 in accounts receivable has extended beyond 90 days as a direct result of the COVID-19 pandemic, though no receivables at this time are considered to be in jeopardy of not being received. The Company expects 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 3rd and 4th quarters of fiscal year 2020 which have been delayed due to the same reasons stated above. At this time, HealthSpace does not expect any of those contracts to be delayed permanently.

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

The Company's customers perform a regulatory function which is classified as a vital public service. Further, the Company's customers, primarily public health agencies in the USA, 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 improvements. The Company has already had contracts funded through these programs and, at this time, believes that there is a likelihood that customers will have additional funds to spend on products such as those offered by the Company. The Company is taking definitive steps to position itself to leverage these funds across the USA and increase revenues in the latter half of 2020 and into 2021.

2. BASIS OF PREPARATION

Statement of Compliance

The Company prepared these 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.
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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, 2020 and should be read in conjunction with those audited consolidated financial statements. These interim consolidated financial statements were approved by the Board of Directors and authorized for issue on **December 20, 2020**.

Basis of Measurement

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

Presentation and Functional Currencies

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

The functional currency of HealthSpace Data Systems Ltd. is the Canadian dollar. The functional currency of the HealthSpace USA is the US dollar. Transactions in currencies other than in each entity’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 statements of loss and comprehensive loss.

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2. BASIS OF PREPARATION (continued)

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

Period end dates	US to CDN	CDN to US
July 31, 2020	\$1.3404	\$0.7460
October 31, 2020	\$1.3318	\$0.7509
Average for the three months ended	US to CDN	CDN to US
October 31, 2019	\$1.3235	\$0.7556
October 31, 2020	\$1.3222	\$0.7564

3. GOODWILL

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

Goodwill, July 31, 2019	\$	1,829,017
Effect of movement in exchange rate		(35,109)
Goodwill, July 31, 2020		1,793,908
Effect of movement in exchange rate		11,783
Goodwill, October 31, 2020	\$	1,805,691

The amounts recognized as goodwill are not expected to be deductible for tax purposes and, as of October 31, 2020, no impairment has been identified.

4. PROPERTY AND EQUIPMENT

	Computer Hardware	Furniture and Equipment	Total
COST			
Balances, July 31, 2019	\$ 356,442	4,229	\$ 360,671
Additions	42,131	-	42,131
Effect of movement in exchange rates	(6,061)	-	(6,061)
Balances, July 31, 2020	\$ 392,512	\$ 4,229	\$ 396,741
Additions	23,800	-	23,800
Effect of movement in exchange rates	2,273	-	2,273
Balances, October 31, 2020	\$ 418,585	\$ 4,229	\$ 422,814

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4. PROPERTY AND EQUIPMENT (continued)

ACCUMULATED AMORTIZATION			
Balances, July 31, 2019	\$ 132,792	\$ 3,013	\$ 135,805
Amortization	79,115	243	79,358
Effect of movement in exchange rates	(1,623)	-	(1,623)
Balances, July 31, 2020	\$ 210,284	\$ 3,256	\$ 213,540
Amortization	16,229	49	16,278
Effect of movement in exchange rates	1,085	-	1,085
Balances, October 31, 2020	\$ 227,598	\$ 3,305	\$ 230,903
NET BOOK VALUE			
Balances, July 31, 2020	\$ 182,228	\$ 973	\$ 183,201
Balances, October 31, 2020	\$ 190,987	\$ 924	\$ 191,911

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5. INTANGIBLE ASSETS

COST	Unpatented technology	Customer relationships and contracts	Inspection application (Note 5a)	Customizable Application (Note 5b)	Total
Balances, July 31, 2019	\$ 120,756	\$ 30,470	\$ 488,741	\$ 960,491	\$ 1,600,458
Additions from internal development	-	-	-	-	-
Effect of movements in exchange rates	(2,319)	(586)	(9,382)	(13,986)	(26,273)
Balances, July 31, 2020	\$ 118,437	\$ 29,884	\$ 479,359	\$ 946,505	\$ 1,574,185
Additions	-	-	-	-	-
Effect of movements in exchange rates	-	197	3,148	4,017	7,362
Balances, October 31, 2020	\$ 118,437	\$ 30,081	\$ 482,507	\$ 950,522	\$ 1,581,547
ACCUMULATED AMORTIZATION AND					
Balances, July 31, 2019	\$ 114,525	\$ 17,339	\$ 370,731	\$ 143,868	\$ 646,463
Amortization	6,089	2,978	38,058	94,429	141,554
Effect of movements in exchange rates	(2,177)	(323)	(6,979)	(3,713)	(13,192)
Balances, July 31, 2020	\$ 118,437	\$ 19,994	\$ 401,810	\$ 234,584	\$ 774,825
Amortization	-	758	6,487	23,876	31,121
Effect of movements in exchange rates	-	125	2,592	933	3,650
Balances, October 31, 2020	\$ 118,437	\$ 20,877	\$ 410,889	\$ 259,393	\$ 809,596
NET BOOK VALUE					
Balances, July 31, 2020	\$ -	\$ 9,890	\$ 77,549	\$ 711,921	\$ 799,360
Balances, October 31, 2020	\$ -	\$ 9,204	\$ 71,618	\$ 691,129	\$ 771,951

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5. INTANGIBLE ASSETS (continued)

The amortization of intangible assets is included in “General and administrative” (Note 16) in the 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.

(b) Customizable application

The customizable application consists of internally developed software which was substantially completed during the year ended July 31, 2019. The Company started transitioning current customers to this application and selling it to newly acquired customers during the 2019 fiscal year. The Company capitalized \$346,404 in development costs during the year ended July 31, 2019.

6. CONTRACT ACQUISITION COSTS AND COMMISSIONS PAYABLE

Contract acquisition costs consist of sales commissions and other incremental costs of obtaining a contract with a customer. Commissions are amortized over the life of the contract. The amortization is recorded in sales wages and commissions on the consolidated statements of loss and comprehensive loss. Commissions payable represent commissions payable for procuring a contract with a customer.

The following table represents changes in contract acquisition costs:

Balance, July 31, 2019	\$	-
Additions		316,991
Amortization		(46,069)
Effect of movements in exchange rates		101
Balance, July 31, 2020	\$	271,023
Additions		68,692
Amortization		(30,299)
Effect of movements in exchange rates		201
Balance, October 31, 2020	\$	309,617

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Unaudited, Expressed in US Dollars

6. CONTRACT ACQUISITION COSTS AND COMMISSIONS PAYABLE

The following table represents changes in commissions payable:

Balance, July 31, 2019	\$	-
Additions		316,991
Paid		(155,437)
Effect of movements in exchange rates		-
Balance, July 31, 2020	\$	161,554
Additions		68,692
Paid		(77,200)
Effect of movements in exchange rates		-
Balance, October 31, 2020	\$	153,046

7. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

The Company's leases include leases for office spaces in Canada and in the USA and leased computer hardware. 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.

Right-of-use assets related to leases by class of the underlying assets are as follows:

		Office Premises	Computer Hardware
Balances, July 31, 2019	\$	-	\$ 163,240
Additions		83,837	-
Amortization		(41,767)	(52,644)
Effect of movement in exchange rates		(151)	(3,325)
Balances, July 31, 2020	\$	41,919	\$ 107,271
Additions		-	-
Amortization		(10,625)	(8,973)
Effect of movement in exchange rates		351	770
Balances, October 31, 2020	\$	31,645	\$ 99,068

Right-of-use assets for leased computer hardware are included in property and equipment (Note 4). Lease obligations for these leases are measured by discounting future lease payments at a rate of 20%.

HEALTHSPACE DATA SYSTEMS LTD.
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7. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS (continued)

Lease obligations as at October 31, 2020 are as follows:

Minimum lease payments:	Office Premises	Computer Hardware	Total
Fiscal year 2021	\$ 39,325	\$ 65,262	\$ 104,587
Fiscal year 2022	-	5,438	5,438
Total future minimum lease payments	39,325	70,700	110,025
Less: Imputed interest	(3,102)	(7,430)	(10,532)
	\$ 36,223	\$ 63,270	\$ 99,493
Current portion	\$ 36,223	\$ 57,919	\$ 94,142
Long-term portion	-	5,351	5,351
	\$ 36,223	\$ 63,270	\$99,493

Interest expense on lease liabilities for the three months ended October 31, 2020 was \$6,400 (2019 - \$13,799). Total cash outflow for leases during the three months ended October 31, 2020 was \$29,553 (2019 - \$31,713).

In addition, the Company recorded \$17,316 as rent expense for the three months ended October 31, 2020 (Note 16) related to short-term leases with a duration of less than 12 months.

8. SOFTWARE LICENSES

COST AND NET BOOK VALUE	Licenses
Balance, July 31, 2019	\$ 288,987
Reduction in number of licenses	(50,395)
Effect of movements in exchange rates	(5,730)
Balance, July 31, 2020	\$ 232,862
Effect of movements in exchange rates	1,530
Balance, October 31, 2020	\$ 234,392

During the year ended July 31, 2019, 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 year ended July 31, 2020, the platform was acquired from IBM by HCL Technologies and the Company entered into an agreement with HCL Technologies for 2,500 usage licenses. These licenses remain under the control of the Company and are property of the Company as long as the Company holds a maintenance contract with HCL Technologies. The software licenses have an indefinite useful life and therefore are not amortized. During the year ended July 31, 2020, the current subscription and support contract was renewed for one year.

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8. SOFTWARE LICENSES (continued)

The expense related to the maintenance contract and reduction in the number of licenses is recorded as data hosting and customer support in the consolidated statements of loss and comprehensive loss.

9. CONTRACT LIABILITIES

Contract liabilities represent customer payments received for subscriptions and professional services to be provided subsequent to the reporting date. Significant changes in contract liabilities are as follows:

	October 31, 2020	July 31, 2020
Contract liabilities, beginning of period	\$ 805,788	\$ 766,303
Revenue recognized that was included in the contract liability balance at the beginning of the period	(322,915)	(731,311)
Amounts received for which revenue is unearned	402,833	769,737
Effect of movement in exchange rates	(829)	1,059
Contract liabilities, end of period	\$ 884,877	\$ 805,788
Current portion	\$ 852,677	\$ 783,284
Long-term portion	32,200	22,504
Contract liabilities, end of period	\$ 884,877	\$ 805,788

10. LOANS

	October 31, 2020	July 31, 2020
2019 Loan (a)	\$ 13,194	\$ 15,789
CEBA Loan (b)	22,527	22,380
PPP Loan (c)	-	-
	\$ 35,721	\$ 38,169
Current portion	\$ 7,756	\$ 10,445
Long-term portion	27,965	27,724
	\$ 35,721	\$ 38,169

(a) 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 in monthly blended payments by December 1, 2021. During the three months ended October 31, 2020 the Company paid \$1,078 in interest.

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10. LOANS (continued)

Remaining future payments related to the loan are:

Fiscal year 2021	\$ 12,372
Fiscal year 2022	5,623
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Total future payments	17,995
Less: Imputed interest	(1,427)
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	16,568
Less: Current portion	(12,086)
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Long-term portion	\$ 4,482

(b) CEBA Loan

During the year ended July 31, 2020, the Company received a CAD\$40,000 loan from the Government of Canada under the Canada Emergency Business Account (“CEBA”) program. No interest will accrue on the loan if it is repaid by 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 the maturity date (December 31, 2025). No principal payments are required to be paid until the 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 the maturity date.

25% of the CEBA loan will be forgiven if the remaining 75% of the CEBA loan is repaid on or before December 31, 2022. The Company has recognized the forgivable portion of CAD\$10,000 as a government grant during the year ended July 31, 2020, presented as part of other income (expenses) on the consolidated statements of loss and comprehensive loss for the year ended July 31, 2020.

(c) PPP Loan

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.

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10. LOANS (continued)

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. The Company incurred the related payroll costs prior to July 31, 2020 and expects the full amount of the PPP Loan to be forgiven. Accordingly, the Company has recognized the full amount of the PPP Loan as a government grant during the year ended July 31, 2020, presented as part of other income (expenses) on the consolidated statements of loss and comprehensive loss for the year ended July 31, 2020.

11. ADVANCES PAYABLE

During the year ended July 31, 2020 the Company financed its working capital requirements under an accounts receivable financing agreement. Under the terms of this agreement, as amended on September 11, 2019, the Company drew up to CAD\$700,000 and was obligated to draw a minimum of CAD\$75,000 per month and pay a fee of 3% of the gross advances received or outstanding each month and a standby fee of 5% per annum, calculated monthly, on undrawn amounts. Subsequent to the year ended July 31, 2020 the agreement was terminated. As at July 31, 2020 and October 31, 2020, no amount is payable to the lender and no accounts receivable were pledged as collateral for the advances. During the three months ended October 31, 2019, the Company incurred \$33,760 in fees related to this agreement which were included in interest expense on the interim consolidated statements of loss and comprehensive loss.

12. CONVERTIBLE DEBENTURES

	October 31, 2020	July 31, 2020
2018 Convertible Debentures (a)	\$ -	\$ 373,000
2016 Convertible Debentures (b)	-	220,070
Total Convertible debentures	-	593,070
Less: current portion	-	(593,070)
Long-term portion	\$ -	\$ -

12. CONVERTIBLE DEBENTURES (continued)

(a) 2018 Convertible Debentures

On September 17, 2018, the Company issued secured convertible debentures with an aggregate principal amount of CAD\$500,000. The debentures bear interest at a rate of 10% per annum and mature on September 17, 2020. The debentures are convertible by the holders into common shares of the Company at a price of \$0.075 per share if converted on or before September 17, 2019, and \$0.10 per share if converted after September 17, 2019. The debentures are secured by a general security agreement over all of the Company's present and after-acquired personal property which ranks pari-passu with the security of the 2016 convertible debentures. During the three months ended October 31, 2020 the debentures were repaid.

(b) 2016 Convertible Debentures

On September 29, 2018, the Company deferred the maturity date of the remaining 2016 convertible debentures with an aggregate principal amount of CAD\$295,000 to September 29, 2020. The debentures bear interest at a rate of 10% per annum and are convertible by the holders into common shares of the Company at a price of CAD\$0.075 per share if converted on or before September 29, 2019, and CAD\$0.10 per share if converted after September 29, 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 2018 convertible debentures. During the three months ended October 31, 2020 the debentures were converted into shares at CAD\$0.10 per share resulting in the issuance of 2,950,000 shares.

13. SHARE CAPITAL

(a) Common Shares Authorized

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

Issued during the three months ended October 31, 2020

- In September 2020, 2,950,000 shares were issued on exercise of convertible debenture at CAD\$0.10 per share settling CAD\$295,000.
- In September 2020, 9,514,078 shares were issued on exercise of warrants at an exercise price of CAD\$0.05 and CAD\$0.065. The fair value of the warrants of \$138,977 was transferred from share-based payment reserve to share capital.

13. SHARE CAPITAL (continued)

(a) Common Shares Issued (continued)

Issued during the year ended July 31, 2020

- 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 transferred from share-based payment reserve to share capital.
- On December 24, 2019 the Company closed a non-brokered private placement. 10,799,526 units were issued 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.
- On May 1, 2020 the Company closed a private placement consisting of both brokered and non-brokered components, resulting in the issuance of 44,000,000 units at a price of CAD\$0.065 per unit for gross proceeds of CAD\$2,860,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder 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 private placement. 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, and 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.
- In May 2020, 1,500,000 shares were issued on exercise of warrants at an exercise price of CAD\$0.075. The fair value of the warrants of \$35,570 was transferred from share-based payment reserve to share capital.
- In July 2020 1,000,000 shares were issued on exercise of warrants at an exercise price of CAD\$0.05.

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13. SHARE CAPITAL (continued)

(b) Share Purchase Options

The Company has a rolling Share Option Plan whereby a maximum of 10% of the Company's outstanding shares may be reserved for issuance as a result of the grant of share options or other compensation plans. 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.

No stock options were granted during the three months ended October 31, 2020.

During the year ended July 31, 2020, the Company granted 3,690,000 share purchase options with a term of five years and exercises prices of CAD\$0.05 and CAD\$0.10 per share to directors, officers, employees and consultants of the Company.

The fair value of the options granted during the year ended July 31, 2020 on the grant date was determined using the Black-Scholes option pricing model with the following assumptions and weighted average inputs:

	<u>July 31, 2020</u>
Market price of the shares on the grant date	CAD\$0.08
Exercise price	CAD\$0.09
Risk-free interest rate	0.47%
Expected option life ⁽¹⁾	5 years
Expected volatility over the option life ⁽²⁾	135%
Expected dividends	\$Nil
Weighted average fair value	<u>CAD\$0.067</u>

⁽¹⁾ Expected option life considers the potential effects of early option exercise

⁽²⁾ Expected volatility was determined with reference to the Company's historical share price

During the three months ended October 31, 2020, the Company recorded \$11,612 (2019 - \$9,445) as share-based compensation related to share purchase options vesting during the period.

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13. SHARE CAPITAL (continued)

(c) Share Purchase Options (continued)

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

Expiry date	Exercise price, CAD\$	Number of options outstanding	Number of options exercisable	Weighted average remaining contractual life (in years)
November 30, 2020	\$0.20	1,450,000	1,450,000	0.08
February 28, 2021	\$0.20	220,000	220,000	0.33
November 24, 2021	\$0.08	1,795,000	1,795,000	1.07
December 15, 2022	\$0.15	1,870,000	1,870,000	2.12
July 3, 2023	\$0.08	300,000	300,000	2.67
September 5, 2023	\$0.08	870,000	870,000	2.85
September 11, 2023	\$0.08	65,000	65,000	2.86
December 18, 2023	\$0.08	250,000	250,000	3.13
August 8, 2024	\$0.05	480,000	480,000	3.77
April 16, 2025	\$0.10	250,000	250,000	4.46
May 1, 2025	\$0.10	1,100,000	550,000	4.50
July 28, 2025	\$0.10	1,840,000	1,840,000	4.74
Total		10,490,000	9,940,000	2.56

The following is a continuity of the Company's share purchase options for the three months ended October 31, 2020 and year ended July 31, 2020:

	Three months ended October 31, 2020		Year ended July 31, 2020	
	Number of Options	Weighted Average Exercise Price, CAD\$	Number of Options	Weighted Average Exercise Price, CAD\$
Balance, beginning of year	10,490,000	\$ 0.11	7,445,000	\$ 0.12
Granted	-	-	3,690,000	0.09
Cancelled	-	-	(645,000)	0.08
Balance, end of year	10,490,000	\$ 0.11	10,490,000	\$ 0.11
Exercisable, end of year	9,940,000	\$ 0.11	9,665,000	\$ 0.11

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13. SHARE CAPITAL (continued)

(d) Restricted Share Units

The Company has a restricted share unit (“RSU”) plan under which it may grant unlimited RSUs as long as RSU shares combined with any other compensation agreements do not exceed 10% of the Company’s issued and outstanding shares. RSUs vest at a specified date and may be settled by the Company at any time after the vesting date and before the expiry date. The Company has the option to settle RSUs either by issuing one common share of the Company for each RSU, or by paying a cash amount equal to the fair market value of one common share of the Company as at the vesting date for each RSU.

The following is a continuity of RSUs for the three months ended October 31, 2020 and year ended July 31, 2020:

	Three months ended October 31, 2020 Number of RSUs	Year ended July 31, 2019 Number of RSUs
Balance, beginning of period	7,387,500	3,187,500
Cancelled	-	(25,000)
Granted	-	4,450,000
Settled with shares	-	(225,000)
Balance, end of period	7,387,500	7,387,500
Exercisable, end of period	7,387,500	7,387,500

During the year ended July 31, 2020, the Company granted 4,450,000 RSUs with a weighted average fair value of CAD\$0.06 to directors, officers and employees, vesting immediately. During the three months ended October 31, 2020 the Company recorded \$nil (2019 - \$46,689) as share-based payments related to the vesting of RSUs.

The following is a summary of the Company’s RSUs outstanding as at October 31, 2020:

Expiry date	Number of RSUs outstanding	Weighted average remaining contractual life (in years)
November 24, 2021	137,500	1.07
December 15, 2022	900,000	2.12
September 5, 2023	2,000,000	2.85
August 8, 2024	1,750,000	3.77
July 28, 2025	2,600,000	4.74
Total	7,387,500	3.61

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13. SHARE CAPITAL (continued)

(e) Share Purchase Warrants

No warrants were issued during the three months ended October 31, 2020.

During the three months ended October 31, 2020, 9,514,078 warrants were exercised at CAD\$0.05 and \$0.065 per warrant.

During the year ended July 31, 2019, the Company issued 10,799,526 and 44,000,000 warrants as part of private placements units described in Note 13(b). The Company applied the residual method to allocate the unit purchase price between the shares and warrants comprising the units, resulting in nil value assigned to these warrants.

On May 1, 2020, the Company issued 3,259,328 finders' warrants as part of a private placement. Each finder's warrant entitles the holder to acquire one additional common share for a period of three years at a price of CAD\$0.065 per warrant share. The Company recorded the fair value of finders warrants of \$190,006 as share issue costs.

The fair value of warrants was calculated using the Black-Scholes option pricing model with the following weighted average inputs:

	Year ended July 31, 2020
Market price of the shares on the grant date	CAD\$0.10
Exercise price	CAD\$0.065
Risk-free interest rate	0.28%
Expected warrant life	3 years
Expected volatility over the warrant life	140%
Expected dividends	\$Nil

The following is a summary of share purchase warrants outstanding as at October 31, 2020:

Expiry date	Exercise price, CAD\$	Number of warrants outstanding	Weighted average remaining contractual life (in years)
December 24, 2021	\$0.05	2,549,526	1.15
May 1, 2023	\$0.10	44,000,000	2.50
May 1, 2023	\$0.65	995,250	2.50
Total		47,544,776	2.52

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13. SHARE CAPITAL (continued)

(e) Share Purchase Warrants (continued)

The following is a continuity of share purchase warrants for the three months ended October 31, 2020 and year ended July 31, 2020:

	Year ended July 31, 2020		Year ended July 31, 2020	
	Number of Warrants	Weighted Average Exercise Price, CAD\$	Number of Warrants	Weighted Average Exercise Price, CAD\$
Balance, beginning of year	57,058,854	\$ 0.09	13,084,000	\$ 0.05
Granted	-	-	58,058,854	0.09
Exercised	(9,514,078)	0.05	(2,500,000)	0.065
Expired	-	-	(11,584,000)	0.05
Balance, end of year	47,544,776	\$ 0.10	57,058,854	\$ 0.09
Exercisable, end of year	47,544,776	\$ 0.10	57,058,854	\$ 0.09

The weighted average market share price on the date of exercise for warrants exercised during the three months ended October 31, 2020 was CAD\$0.11 (July 31, 2019 - CAD\$0.09).

(f) Shareholder Rights Plan

On September 22, 2020, the Company adopted a Shareholder Rights Plan whereby one right attaches to each issued and outstanding common share of the Company. The rights become exercisable in the event that any person becomes a beneficial holder of 20% or more of the Company's outstanding common shares without complying with the permitted bid provisions under the Shareholder Rights Plan. Exercising the rights will allow a holder to purchase additional common shares of the Company at a substantial discount to the market price. The Shareholder Rights Plan is effective immediately but is subject to ratification by the Company's shareholders.

14. RELATED PARTY TRANSACTIONS

During the three months ended October 31, 2020 and 2019, the Company did not enter into any transactions with related parties other than key management personnel.

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14. RELATED PARTY TRANSACTIONS (continued)

The Company defines key management personnel as being the Board of Directors and senior management. The remuneration of key management personnel during the three months ended October 31, 2020 and 2019 was as follows:

	Three months ended October 31,	
	2020	2019
Management and directors' fees	\$82,051	\$52,626
Administrative fees, commissions and other remuneration	50,573	53,837
Share-based compensation	4,781	45,092
	\$137,405	\$151,555

As at October 31, 2020, accounts payable and accrued liabilities included \$nil (July 31, 2020 - \$nil) owing to directors, officers and companies controlled by directors and officers.

15. LOSS PER SHARE

The Company's outstanding instruments which could potentially dilute basic earnings per share in the future include share purchase options (Note 13(c)), restricted share units (Note 13(d)), and share purchase warrants (Note 13(e)) and shares issued under Shareholder Rights Plan (Note 13(f)). These instruments were not included in diluted earnings per share because they are anti-dilutive for the periods presented.

Subsequent to the period ended October 31, 2020 the Company completed an 8 to 1 share consolidation. Accordingly, the Company had \$0.022 in loss per post-consolidated share for the three months period ended October 31, 2020 and \$0.020 for the three-month period ended October 31, 2019.

16. PRESENTATION OF EXPENSES

During the three months ended October 31, 2020, the Company changed the presentation of operating expenses and cost of revenue on the consolidated statements of loss and comprehensive loss, including comparative amounts, by allocating salaries and benefits expenses to cost of revenue, implementation expenses, sales wages and commissions, research and development, and management and directors' fees, according to the employee's function. The Company believes that this presentation is more relevant to its current operations.

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16. PRESENTATION OF EXPENSES (continued)

The total salaries and benefits expense allocated by function on the consolidated statements of loss and comprehensive loss is as follows:

	Three months ended October 31,	
	2020	2019
Salaries and benefits expense		
Total salaries and benefits expense allocated by function on the consolidated statements of loss and comprehensive loss	\$ 355,759	\$ 333,010

General and administrative expenses and other income (expenses) on the consolidated statements of loss and comprehensive loss are composed of the following:

	Three months ended October 31,	
	2020	2019
General and administrative expenses		
Health and general insurance	\$ 80,467	\$ 51,919
Accounting and legal	56,314	50,019
Amortization of tangible assets	16,278	19,393
Amortization of intangible assets	31,120	39,286
Office expenses	71,773	14,822
Consulting	91,440	36,791
Rent	29,130	26,909
Filing	26,107	7,721
Other	77,669	10,573
Total	\$ 480,298	\$ 257,433

17. OPERATING SEGMENTS

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

	Canada	USA	Total
For the three months ended October 31, 2020			
Subscription revenues	\$ 155,080	\$ 550,933	\$ 706,013
Professional services revenues	\$ 19,411	\$ 166,996	\$ 186,407
For the three months ended October 31, 2019			
Subscription revenues	\$ 119,662	\$ 432,988	\$ 552,650
Professional services revenues	\$ -	\$ 77,880	\$ 77,880

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17. OPERATING SEGMENTS (continued)

	Canada		USA		Total
As at October 31, 2020					
<i>Non-current assets</i>					
Property and equipment	\$ 162,231	\$	29,680	\$	191,911
Intangible assets	\$ 520,891	\$	251,060	\$	771,951
Contract acquisition costs	\$ 309,617			\$	309,617
Right-of-use assets	\$ 31,645	\$	-	\$	31,645
Software license	\$ 234,392	\$	-	\$	234,392
Goodwill	\$ 1,805,691	\$	-	\$	1,805,691
<hr/>					
	Canada		USA		Total
As at July 31, 2020					
<i>Non-current assets</i>					
Property and equipment	\$ 170,356	\$	12,845	\$	183,201
Intangible assets	\$ 539,927	\$	259,433	\$	799,360
Contract acquisition costs	\$ 28,046	\$	242,977	\$	271,023
Right of use assets	\$ 41,919	\$	-	\$	41,919
Software license	\$ 232,862	\$	-	\$	232,862
Goodwill	\$ 1,793,908	\$	-	\$	1,793,908

For the three months ended October 31, 2020, revenues from two major customers in the United States of America represented \$114,737 or 20% (October 31, 2019 - \$205,304 or 33%) of the Company's total revenues.

18. MANAGEMENT OF CAPITAL

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

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

19. MANAGEMENT OF FINANCIAL RISK

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

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

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

Credit Risk

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

The Company's accounts receivable consists of amounts receivable from contracts with customers.

The Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required. When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues.

As at October 31, 2020, the Company's two largest customers accounted for \$111,228 of the balance of accounts receivable (July 31, 2020 - \$40,090).

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 loans and convertible debentures. The risk that the Company will realize a loss as a result of an increase of 1% in the prime interest rate is minimal as the majority of the Company's borrowings are at a fixed rate.

19. MANAGEMENT OF FINANCIAL RISK (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 18. Accounts payable and accrued liabilities and other liabilities are due within the current operating period. Loans are due based on the terms disclosed in Note 10. Lease obligations are due based on the terms disclosed in Note 7.

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.

20. SUBSEQUENT EVENTS

Subsequent to the period ended October 31, 2020:

- a) the Company completed an 8 to 1 share consolidation. Earnings per share and weighted average shares outstanding will be adjusted for the share consolidation for the periods subsequent to the date the shares were consolidated;
- (b) On December 8, 2020 the Company closed its oversubscribed placement for gross proceeds of approximately CAD\$6.5 million. The offering consisted of both brokered and non-brokered components, and resulted in the issuance of 8,124,250 units of the Company at a price of CAD\$0.80 per unit. Each unit consists of one post-consolidated common share in the capital of the Company and one-half of one post-consolidated common share purchase warrant. Each post-consolidated warrant entitles the holder to acquire one common share at a price of CAD\$1.20 per Common Share for a period of 24 months from the closing date of the offering. The Company paid a cash commission to the agents and members of the agents' selling group equal to CAD\$502,152 plus expenses and legal fees, and issued 627,690 compensation post-consolidated warrants entitling the holders to acquire one post-consolidated common share for each compensation post-consolidated warrant exercisable at \$0.80. Such compensation post-consolidated warrants will be exercisable for 24 months from the closing date of the offering.