HEALTHSPACE DATA SYSTEMS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2020

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 three months ended October 31, 2020, as well as information and expectations concerning the Company's outlook based on currently available information. This report is dated December 20, 2020.

This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended October 31, 2020. Additional information is available at www.sedar.com.

Management is responsible for the preparation and integrity of the 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 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 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.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures such as Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and "Annual Recurring Revenue" ("ARR"). These non-IFRS measures are not recognized, defined or standardized measures under IFRS. Our definition of EBITDA and ARR may differ from that used by other companies and therefore comparability may be limited.

EBITDA and ARR should not be considered a substitute for or considered in isolation from measures prepared in accordance with IFRS. These non-IFRS measures should be read in conjunction with our annual consolidated financial statements and the related notes thereto as at and for the three months ended October 31, 2020. Readers should not place undue reliance on non-IFRS measures and should instead view them in conjunction with the most comparable IFRS financial measures.

1. SUMMARY OF OPERATIONS, EVENTS AND FUTURE PLANS

HealthSpace is a software as a service ("SaaS") company focused on providing an efficient data and workflow management platform for federal, state, county and municipal governments. Over the last decade, HealthSpace has successfully developed both enterprise cloud based and mobile applications currently serving over 500 state and local government organizations across North America. HealthSpace currently offers the only self-serve platform for integrated inspection, administration and analytics 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 additionally 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. As at October 31, 2020 approximately $305,530 in cash receivables have 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 in some form for the remainder of 2020 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 several contracts that were expected to close in the 3rd and 4th quarters of fiscal 2020 which have subsequently been delayed due to the same reasons stated above. At the date of this MDA, 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 to 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. 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. Further, our 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 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 through 2020 and into 2021.

2. DESCRIPTION OF BUSINESS

HealthSpace is a 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 agencies, but it is now offering its solutions to Agriculture, Code Enforcement, Septic and other various 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 this, the Company continues to increase its sales force, market presence and is rapidly building up its product offerings in order to capture a larger portion of this market.

Technology and Infrastructure

HSCloud

HSCloud is a first of its kind, no-code data management platform for government. No-code allows non-technical users to create fully-customizable cloud-based systems for managing applications, licenses, permits, inspections and virtually any other data needed to operate state and local government agencies. It is one of the 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 their 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 is the field. Data, such as calendars, past inspections, regulatory codes and violations, can be seamlessly synchronized with HSCloud. 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 Company's 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. The Company has embarked on a program to migrate current EHS users to the new system. 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.

Research and Development

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

FinTech Platform (HSPay)

HealthSpace has 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.

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.

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 design, function and entire code base are proprietary.

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

3. SELECTED ANNUAL INFORMATION

In December 2020 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.

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, 2020, 2019 and 2018.

(Expressed in US dollars)

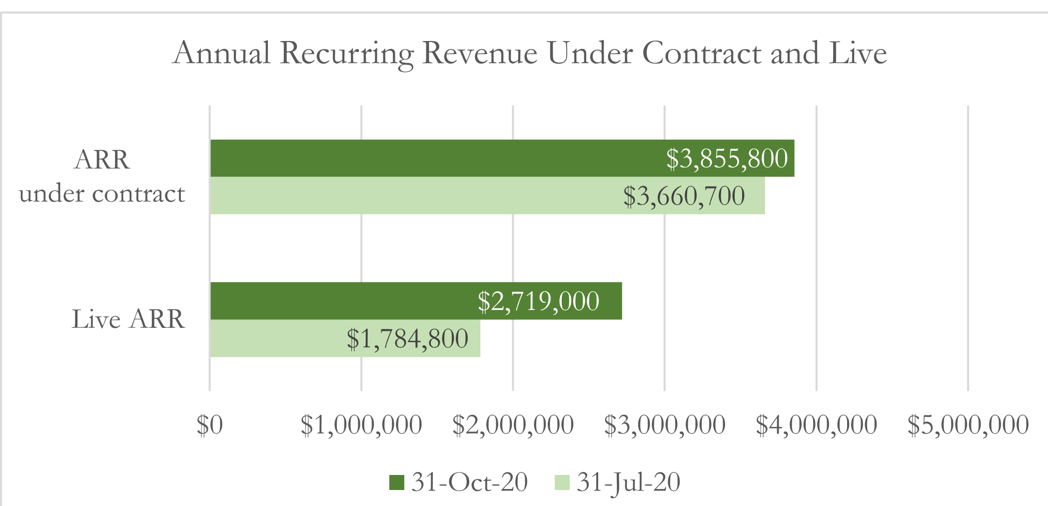
Year ended July 31,	2020 $	2019 $	2018 $
Revenue	2,648,067	2,586,241	2,200,030
Cost of revenue	873,389	877,956	863,765
Operating expenses	3,598,398	2,340,630	2,185,246
Interest and other income (expenses)	(9,298)	(121,052)	(94,045)
Net loss	(1,833,018)	(753,397)	(943,026)
Loss per post consolidated share, basic and fully diluted	(0.088)	(0.040)	(0.064)
Operating cash	957,517	122,370	332,333
Working capital deficiency	(696,034)	(804,652)	(675,649)
Total assets	4,640,019	4,061,695	3,720,685
Total long-term liabilities	70,989	707,353	32,008
Shareholders' equity (deficiency)	(2,555,250)	(1,784,860)	(2,277,326)
EBITDA (1)	(1,306,256)	(415,423)	(642,678)

[1] EBITDA is a non-IFRS measure that is used as a measure of profit and loss. Management believes EBITDA provides a meaningful measure for assessment of Company performance as it removes non-cash and non-operating expenses such as financing costs. Refer to the Operating Results section for further information on the calculation and definition of EBITDA.

Annual Recurring Revenue (ARR) is a non-IFRS measure that provides an indication of subscription revenue and billings from customers as of the reporting date. ARR represents the sum of the annual recurring revenue from existing customer contracts or commitments as of the reporting period end date, and as such management believes ARR to be a meaningful measure for assessment of Company performance.

ARR is recorded as deferred revenue when it is invoiced and is recognized in revenue evenly on a monthly basis over the term of each invoice. ARR consists of two elements: ARR Under Contract, which represents the total of existing customer contracts or commitments for subscription revenue, and Live ARR, which represents subscription revenue of customers who have gone live and begun paying their annual subscription for use of the software.

The following graph represents the Company's current Annual Recurring Revenue Under Contract and Live ARR as of the date of this MD&A:



The Company currently 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 months ended October 31, 2020, compared to the same period in the prior fiscal year. The interim consolidated financial statements of the Company for the three months ended October 31, 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, 2018. Revenue is recognized upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services. The Company's contracts often include multiple products and services, which are generally capable of being distinct and accounted for as separate performance obligations.

The Company's hosted software-as-a-service ("SaaS") application, which allows customers to use hosted software over the contract period without taking possession of the software, is provided on a subscription basis, and recognized ratably over the contract period, commencing on the date an executed contract exists and the customer has the right-to-use and access to the platform.

On-premise, fixed term subscription licenses and hybrid software subscriptions (where the customer has the option to take the hosted software on-premise) provide the customer with a right-to-use the software as it exists when made available to the customer. Revenue from distinct on-premise subscription licenses is recognized at the point in time when the software is made available to the customer and the right to use the software has commenced. On-premise subscription licenses and hybrid subscriptions are bundled with software maintenance and support services and/or hosting for a term. The license component and maintenance and support/hosting components are each allocated revenue using their relative estimated stand-alone selling prices. Revenue allocated to the bundled maintenance and support and hosting is recognized ratably over the term of the maintenance and support services.

Professional services are provided for implementation and configuration of software licenses and SaaS, as well as ongoing technical services and training. Professional services are typically billed on a time and material basis and revenue is recognized over time as the services are performed.

For professional services contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed.

Maintenance and support services provided to customers on legacy perpetual software licenses is recognized ratably over the term of the maintenance and support services.

(Expressed in US dollars)

Revenue

The Company has experienced significant growth over the last two years through the acquisition of several major customers in the US which the Company expects will result in increasing revenue from Subscriptions in future years.

	Three months ended October 31				Variance from 2019 to 2020		
	2020		2019				
Subscriptions	$	706,013	$	552,650	$	153,363	28%
Professional services		186,407		77,880		108,527	139%
Total	$	892,420	$	630,530	$	261,890	42%

During the three months ended October 31, 2020, consolidated revenues increased by 42% compared to the same period of the prior year. Revenues related to subscriptions increased by 28% and revenue related to professional services increased by 139% compared to the previous year.

Revenues and Direct Costs

	Three months ended October 31,				Variance from 2019 to 2020		
	2020		2019				
Revenue	$	892,420	$	630,530	$	261,890	42%
Data hosting and customer support		255,384		235,722		19,662	8%
Gross profit	$	637,036	$	394,808	$	242,228	61%

Gross profit for the three months ended October 31, 2020 increased by 61% compared to the prior year comparative period. Hosting costs and customer support expense increased by 8% due to the Company expanding its customer base in the United States.

Revenue by geographic region

	Three months ended October 31,				Variance from 2019 to 2020		
CANADA	2020		2019				
Subscriptions	$	155,080	$	119,662	$	35,418	30%
Professional services		19,411		-		19,411	100%
Total, Canada	$	174,491	$	119,662	$	54,829	46%
% of Total		20%		19%		1%	

	Three months ended October 31,				Variance from 2019 to 2020		
UNTED STATES	2020		2019				
Subscriptions	$	550,933	$	432,988	$	117,945	27%
Professional services		166,996		77,880		89,116	114%
Total, United States	$	717,929	$	510,868	$	207,061	41%
% of Total		80%		81%		-1%	
TOTAL	$	892,420	$	630,530	$	261,890	42%

During the three months ended October 31, 2020, total revenues in Canada increased 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 US dollars.

During the three months ended October 31, 2020, subscription revenues in the United States increased by 27% and professional services revenue increased by 114% over the prior year comparative period. The increase in professional services revenue is mainly due to acquisition of new customers.

Revenues from Canada and the United States accounted for 20% and 80%, respectively, of total revenues during the three months ended October 31, 2020 and 19% and 81%, respectively, of total revenues during the three months ended October 31, 2019.

Sales wages, commissions and marketing

	Three months ended October 31,				Variance from 2019 to 2020		
	2020		2019				
Advertising and promotion	$	13,759	$	5,523	$	8,236	149%
Sales commissions		30,300		6,577		23,723	361%
Travel		10,304		65,870		(55,566)	-84%
Wages		57,287		73,010		(15,723)	-22%
Total	$	111,650	$	150,980	$	(39,330)	-26%

During the three months ended October 31, 2020, sales wages, commissions and marketing expenses decreased by $39,331 or 26% compared to the prior year comparative period. The changes are mainly due to acquisition on new customers for which commissions are paid. The increases in advertising and promotion and sales commissions were offset by decrease in travel expense.

General and Administrative ("G&A") Expense

	Three months ended October 31,				Variance from 2019 to 2020		
	2020		2019				
Accounting and legal	$	56,314	$	50,019	$	6,295	13%
Amortization of intangible assets		31,120		39,286		(8,166)	-21%
Amortization of tangible assets		16,278		19,393		(3,115)	-16%
Consulting		91,440		36,791		54,649	149%
Filing fee		26,107		7,721		18,386	238%
Health and general insurance		80,467		51,919		28,548	55%
Office expenses		71,773		14,822		56,951	384%
Rent		29,130		26,909		2,221	8%
Other		77,669		10,573		67,096	635%
Total G&A expenses	$	480,298	$	257,433	$	222,865	87%

During the three months ended October 31, 2020, G&A expenses increased by 87% or by $222,865 to $480,298 from $257,433 incurred during the prior year comparative period. The increase is mainly comprised of an increase in health and general insurance expense. The increase in insurance expense reflects an increase in health care benefits provided by the Company to its US employees and increase in the number of US employees. With a higher number of customers, the Company is hiring additional employees to support customers as well as maintain the newly developed HSCloud system. Increases in other expenses are due to the Company using hiring agents to hire employees.

(Expressed in US dollars)

Interest and financing costs

	Three months ended October 31,				Variance from 2019 to 2020		
	2020		2019				
Interest	$	18,510	$	33,389	$	(14,879)	-45%
Factoring fee		-		33,760		(33,760)	-100%
Total	$	18,510	$	67,149	$	(48,639)	-72%

Interest and financing costs for the three months ended October 31, 2020 decreased by $48,639 to $18,510 from $67,149 incurred during the prior year comparative period. The Company has sufficient financial resources without using short-term financing facility such as factoring.

Net Loss

	Three months ended October 31,				Variance from 2019 to 2020		
	2020		2019				
Net Loss (gain) from operations	$	556,935	$	270,911	$	286,024	106%
Net Loss		574,274		344,688		229,586	67%
Net Loss per post consolidated share	$	0.024	$	0.016	$	0.008	15%
Basic and diluted number of shares outstanding		204,900,365		141,172,988			

The Company had a net loss of $574,274 during the three months ended October 31, 2020 compared to a net loss of $344,688 during the three months ended October 31, 2019. The increase in the net loss is mainly due to the hiring of new employees, which resulted in an increase in software implementation expenses as well as research and development expenses, to support both current and forward-looking customer growth.

5. SELECTED QUARTERLY INFORMATION

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

Quarter ended		**October 31, 2020**		**July 31, 2020**		**April 30, 2020**		**January 31, 2020**
Revenues	$	892,420	$	396,576	$	1,162,512	$	458,449
Net gain (loss)		(574,274)		(1,021,983)		31,588		(497,935)
Net gain (loss) per post consolidated share	$	(0.024)	$	(0.048)	$	0.002	$	(0.024)

(Expressed in US dollars)

Quarter ended	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019
Revenues	$ 630,530	$ 921,064	$ 557,200	$ 530,604
Net loss	(344,688)	(47,891)	(207,346)	(174,989)
Net loss per post consolidated share	$ (0.016)	$ (0.008)	$ (0.008)	$ (0.008)

The Company's revenues may fluctuate from quarter to quarter primarily as a result of the amount of professional services completed during that quarter and the timing of recognition of related revenues. Revenues during the quarters ended October 31, 2019 and April 30, 2020 increased compared to the previous two quarters, respectively, due to an increase in professional services provided by the Company to new customers and customers converting from legacy software to the Company's HSCloud platform. Revenues decreased during the quarter ended July 31, 2020 from prior quarters as a result of the impact of the COVID-19 pandemic which resulted in reduced professional services activity. Net loss and net loss per share decreased during the quarter ended October 31, 2020 compared to the previous quarter primarily as a result of increase in revenues. Net loss and net loss per share increased during the quarter ended July 31, 2020 primarily as a result of reduced revenues due to the COVID-19 pandemic as well as the recognition of share-based compensation expenses.

6. CAPITAL RESOURCES AND LIQUIDITY

	Three months ended October 31, 2020	2019
Net cash flows used in operating activities	$ (554,841)	$ (239,335)
Net cash flows used in investing activities	(23,800)	-
Net cash flows provided by financing activities	(10,807)	237,827
Net increase (decrease) in cash	(589,448)	(1,508)
Effect of movements in exchange rates on cash	1,293	(378)
Cash at beginning of year	957,517	122,370
Cash at end of period	$ 369,362	$ 120,484

On December 8, 2020 the Company closed its oversubscribed placement for gross proceeds of approximately CAD$6.5 million. The Company expects to have sufficient working capital for some time which will allow the Company to continue its growth strategy and acquisitions of technology.

The Company experiences significant fluctuations in liquidity as customers are invoiced on an annual or quarterly basis whereas the related 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.

On May 4, 2020 the Company received a loan under the United States Small Business Administration ("SBA") Paycheck Protection Program ("PPP") pursuant to the recently adopted Coronavirus Aid, Relief, and Economic Security Act. The Company received a $153,587 unsecured PPP Loan. The two-year, SBA-administered PPP loan has an interest rate of 1% per annum, with principal and interest payments due on the first day of each month, with payments commencing on December 1, 2020.

All or a portion of the Loan may be forgiven if the Company maintains its employment and compensation within certain parameters during the eight-week period following the loan origination date and the proceeds of the loan are spent on payroll costs, rent or lease agreements. 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.

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 accrues 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 paid 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.

Working Capital
As at July 31, 2020, the Company had a working capital deficiency of $696,034 compared to the working capital deficiency of $804,652 as at July 31, 2019. The deficit is primarily the result of contract liabilities of $783,284 representing customer payments received for which services have not yet been provided, and convertible debentures of $593,070 which were settled subsequent to the year end.

Convertible Debentures
Subsequent to July 31, 2020, the Company settled its outstanding convertible debentures by repaying outstanding convertible debentures of CAD$500,000 and converting outstanding convertible debentures of CAD$295,000 into common shares at CAD$0.10, resulting in the issuance of 2,950,000 common shares.

7. FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

As at October 31, 2020 and the date of this MD&A, the Company has not entered into any derivative or other off-balance sheet arrangements.

(Expressed in US dollars)

8. RELATED PARTY TRANSACTIONS

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.

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

9. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Effective August 1, 2019, the Company adopted IFRS 16 Leases which replaced the previous standard on leases and sets out a new model for lease accounting which requires the recognition of a right-of-use asset and a lease liability for all leases. The Company adopted the new standard using the modified retrospective approach, whereby the Company measured its lease liability for leases that were previously classified as operating leases at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate, and recorded a right-of-use asset at an amount equal to the lease liability. Under the modified retrospective approach, the comparative amounts are not restated and therefore there is no adjustment to the deficit balance in these consolidated financial statements.

As at July 31, 2019, the Company had office leases with estimated future annual lease commitments of approximately $97,000. Upon transition to IFRS 16 on August 1, 2019, the Company measured the lease liability for these office leases at the present value of the remaining future payments using a discount rate of 20%, the Company's estimated incremental borrowing rate, and recognized a lease liability of $83,837 and the related right-of-use asset of $83,837.

The adoption of IFRS 16 did not impact the Company's existing finance leases as at August 1, 2019.

The Company has applied the exemption in IFRS 16 for short-term leases of less than 12 months and low-value leases and has recorded the lease payments related to these leases as rent expense in the consolidated statements of loss and comprehensive loss.

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 of presentation of financial instruments in the Company's 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	**Classification**
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Commissions payable	Amortized cost
Lease obligations	Amortized cost
Loans and advances payable	Amortized cost
Convertible debentures	Amortized cost
Other 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.

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 October 31, 2020 and July 31, 2020, 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 amounts receivable from customers. As at October 31, 2020, the Company has pledged accounts receivable of $nil (July 31, 2020 - $nil) as collateral for advances received under an accounts receivable financing agreement

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 October 31, 2020, $305,530 of customer receivables are past due (July 31, 2020 - $177,477).

The majority of the Company's customer receivables are due from customers in the United States of America. As at October 31, 2020, the Company's two largest customers accounted for $111,228 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 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 three months ended October 31, 2020. The Company's financial liabilities are due within the current fiscal year, except for the long-term portion of lease obligations and contract liabilities, which are expected to come due in fiscal year 2022, and the CEBA loan, which is due on December 31, 2022.

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 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.

12. OUTSTANDING SHARE DATA

Authorized capital

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

In December 2020 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;

As at December 20, 2020 the Company has:

- 34,672,229 post consolidated Common shares;
- 10,632,912 post consolidated warrants;
- 1,071,250 post consolidated stock options;
- 923,438 post consolidated restricted share units.