HEALTHSPACE DATA SYSTEMS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of HealthSpace Data Systems Ltd.'s ("HealthSpace" or the "Company") (formerly "HealthSpace Informatics Ltd.") operating and financial results for the three and six months ended January 31, 2016, as well as information and expectations concerning the Company's outlook based on currently available information. This report is dated March 30, 2016.

This MD&A should be read in conjunction with the Company's condensed combined interim financial statements for the three and six months ended January 31, 2016. Additional information is available at www.sedar.com.

Management is responsible for the preparation and integrity of the combined 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 condensed combined interim financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management no less than quarterly to review the financial statements including the MD&A and to discuss otherfinancial, operating and internal control matters.

CAUTION REGARDING FORWARD-LOOKINGINFORMATION

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", "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-lookinginformation.

1. SUMMARY OF OPERATIONS, EVENTS AND FUTURE PLANS

HealthSpace was formed on May 15, 2015 on the amalgamation of NST Holdings Ltd. ("NST") and its wholly owned subsidiary company, HealthSpace Informatics Ltd. ("HealthSpace 2009"). 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 Inc. was incorporated in the State of Virginia on December 28, 2000.

Restructuring Events

On September 10, 2013, Britannica HealthSpace Holdings Ltd. ("Britannica") made an offer to the shareholders of HealthSpace 2009 to acquire all of HealthSpace 2009's outstanding pre-amalgamation Class A Common Voting Shares and pre-amalgamation Class C Preferred Shares. On November 21, 2013, Britannica obtained control of HealthSpace by completing the purchase of 100% of the issued and outstanding pre-amalgamation Class A Common Voting Shares for CDN $0.09 per share. Britannica also purchased 99% of the issued and outstanding pre-amalgamation Class C Preferred Shares for CDN $0.30 per share.

In order to facilitate the purchase of the shares of HealthSpace 2009, on November 21, 2013 Britannica obtained secured loans of CDN $1.7 million, bearing interest at 17% per annum and maturing on November 21, 2015. Subsequently, on September 30, 2014, Britannica did not meet the minimum cash position covenant and was in default of the secured loan agreement. The lenders of the secured loan (the "Lenders") delivered notices of default and intention to enforce security under the loan provisions to Britannica on September 30, 2014. This gave the Lenders the right to seize all present and after-acquired assets of Britannica (the "Collateral"), including the shares of HealthSpace 2009 which it owned. Britannica was not able to cure the default within the allowed 10 days after the notices were delivered. On October 14, 2014, the secured lenders gave Britannica notice that a payment of approximately CDN $1.7 million plus interest to the date of payment was required on or before November 4, 2014 in order to redeem the Collateral. Britannica was unable to redeem the Collateral and on November 5, 2014, the Collateral, including the shares of HealthSpace 2009, was sold by the Lenders to NST, a company controlled by the Lenders, for CDN $1.7 million in full satisfaction of the loan.

On May 15, 2015, NST was amalgamated with its wholly owned subsidiary, HealthSpace 2009. The operating name "HealthSpace Informatics Ltd." was retained by the resulting entity.

HealthSpace's non-offering prospectus was receipted by the British Columbia Securities Exchange on November 5, 2015. As a result of the prospectus being receipted, 18,139,167 special warrants were converted to the same number of common shares of the Company.

Effective November 5, 2015, the Company changed its name to HealthSpace Data Systems Ltd., pursuant to the Articles of the Company and as approved by the board of directors.

Development of the Company's Business

HealthSpace's goal is to be a leader in the development, sale and maintenance of sophisticated information management systems that not only collect and store data, but seek to make available and monetize such information.

There are three main keys to success in the regulatory information management sector:

1. Systems must be specifically designed to meet the individual requirements of each customer.
2. The systems must be scalable, easy to install and use, and reliable.
3. Past reputation, experience and scale.

There is strong public interest in the protection of food, water and the environment. Health and various other regulatory authorities are motivated to improve their effectiveness through the proper use of information. There are a large number of organizations in North America who are currently inspecting and regulating elements of public health and safety. Most do not have effective and cost efficient information management systems, and most cannot afford a custom-built system. Therefore, there is a growing market for economical COTS systems across North America and in Western Europe.

The Company intends to increase its current business footprint and expand to other areas of regulatory surveillance. The Company will also pursue additional revenue sources, such as the monetization of publically accessible data. This data is expected to be provided as a quality control and operational management service to organizations such as large restaurant chains. To accomplish this HealthSpace will do the following:

1. Expand our footprint in our existing market by deploying our mobile application for iOS and Android devices.

2. Look for strategic opportunities to increase its current market share within the public health and safety sector by acquiring competitors.

3. Use a combination of social media, online marketing and traditional media to increase the awareness of HealthSpace among its key constituents.

4. Gain additional revenue sources such as data monetization to engage in a disruptive pricing strategy to increase market share and revenue.

5. Use technological advances to reduce the overall cost of client acquisition and management.

6. Use research collaboration and licensing to market new technology into other sectors.

Technology and Infrastructure

EnviroIntel EHS Manager

The HealthSpace EnviroIntel EHS Manager (the "**HS System**") is an internet-based application that runs on current versions of standard web browsers. Users can access the system through a web browser to fill out forms, request information and view data. Department staff can also access all elements of the system through a web browser, including real-time reports.

The system operates on all conventional platforms, from stand-alone workstations, laptop computers and tablets. A full client version is available for desktop computers and Windows-based tablets enabling seamless full system functionality whether connected to the internet or not. The mobile version of the system can function on IOS 7, Android 4.4, MAC OX 8, and above, Windows 7 and 8 Professional providing real-time data collection in the field or office using 3G, 4G or Wi-Fi internet connections. Users are able to work offline on a local copy of the database whether connected or disconnected to the Internet. The system replicates with the system server periodically as set by the system administrator or when the user's machine re-establishes a connection. Databases and communication streams are 256-bit encrypted limiting security risks with transmission.

The system supports function based security, where a user can be granted any combination of functions such as read only, create only, update only, no deletes, all functions based on their specific operational needs. These features are managed via a Registration Center (a separate database) which processes requests for access level changes based on a previously determined Security Roles matrix, accessibility and restrictions are tied to the users identification file and can only be changed by the Department system administrator. Complete audit trails of changes to these roles and assigned levels are maintained and available to the system administrator. Specifics relating to the business processes and practices for the health departments are determined during the configuration/implementation phases.

The system is capable of restricting an individual user to accessing data for a specific service type, data for a single region or a group or regions, or allowed access to all operational data, depending on the access controls established by the Department.

The HS System is composed of two primary components: the application for capturing and managing data, and a 'back-end' server application for data warehousing and reporting.

HS Touch

HealthSpace has acquired technology related to an iOS and Android-based inspection application pursuant to an Asset Purchase Agreement dated May 1, 2015 between the Company and iGov Inc. The Company has subsequently launched the HS Touch inspection app based on this technology, publishing the iOS version in the Apple App Store on June 14, 2015 and the Android version in the Play Store on November 1, 2015. The App is specifically designed for data collection in the field and can work either connected to or disconnected from the internet. The App is specifically designed to provide field inspectors an easy to use touch screen experience when recording observations is the field. Calendars, past inspections, food codes and violations can be downloaded from the main system in addition to uploading newly created infection reports. The App also provides the ability electronically capture signatures and insert photos and email inspection reports.

Research and Development

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

Infrastructure

The Company is investing considerable ongoing resources to maintain its server and network infrastructure to ensure that the security, performance and ongoing maintenance costs of the Company's offerings stay current and compliant in a rapidly changing technology environment.

Mobile devices

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

Web portals

HealthSpace is developing sophisticated public facing web sites for use by its client organizations. These portals provide the pubic the ability to view inspections, find restaurants, lodge complaints and download other information related to the environment and health protection. Facility operators are now able to apply for services, download inspection reports and permits, review the status of applications and pay fees. The result of this continuing development is that Departments can provide much faster service to their stakeholders at reduced costs. Public exposure for the Department through the public facing portals greatly enhances their ability to inform and provide public safety.

Informatics

HealthSpace has begun work on providing analysis tools for health departments to evaluate the effectiveness of programs, reducing risk and providing predictive analysis of threats before they can occur.

Other markets

HealthSpace is a private sector collaborator with a consortium of other private sector entities, government organizations and universities looking at technology related to the management and monitoring of safe drinking water systems.

Intellectual Property

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

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

Special Warrant Financing

On April 2, 2015, the Company closed a non-brokered private placement of 3,071,667 special warrants for gross proceeds of CDN $460,750. Proceeds from the private placement have been used to repay liabilities and for general working capital purposes. Each special warrant will be convertible into one common share of the Company on receiving a receipt for a prospectus to be filed with the British Columbia Securities Commission.

Between June 3, 2015 and July 28, 2015, the Company completed several tranches of a non-brokered private placement of 15,067,500 special warrants, also convertible into common shares of the Company, for aggregate proceeds of CDN $3,013,500. Transaction costs included the payment of finder's fees totaling CAD $301,350 in cash plus 1,013,600 finders' warrants, exercisable at CAD $0.20 and expiring 2 years after the receipt of HealthSpace's prospectus filed with the British Columbia Securities Commission. Upon receipt of the Company's non-offering prospectus by the British Columbia Securities Exchange on November 5, 2015, 18,139,167 special warrants were converted to the same number of common shares of the Company.

(Expressed in US dollars)

2. ACQUISITIONS

Acquisition of iGov Inc.

On December 1, 2014, HealthSpace entered into a letter of intent to acquire an iOS- and Android-compatible inspection application and related online tools from iGov Inc ("iGov") for expected consideration of $1.25 million. On completion of this acquisition of the technology, HealthSpace will be able to pursue a market-leading multi-access environment, supporting client application, web-plugin and mobile access to its proprietary data management system. On May 1, 2015 an asset purchase agreement was completed for the acquisition of this technology. As at October 31, 2015, the technology had not yet been deployed to market. The consideration paid to date and the expected future consideration for this acquisition is:

Remaining cash to be paid monthly in fiscal 2016	$	51,000
Contingent consideration		
Shares to be issued based on gross qualifying product licenses sold before January 1, 2017	$	300,000
Royalty on future sales [1]	$	430,000

(1) A 10% royalty, up to a cumulative amount of $455,000, paid monthly on App License gross revenues earned before January 1, 2017.

For the six months ended January 31, 2016 the Company paid $25,000 as 'Earn-Out Accelerator' towards the royalty. An additional $20,000 was paid as a performance milestone per the asset purchase agreement.

3. DISCUSSION OF OPERATIONS

Following is a discussion of the Company's combined financial results for the six months ended January 31, 2016, compared to the same periods in the prior fiscal year. The condensed combined interim financial statements of the Company for the six months ended January 31, 2016 have been 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 upon consolidation in these combined financial statements.

Revenue

	Three Months Ended January 31		Quarter-over-Quarter change		Six Months Ended January 31		YTD-over-YTD change	
	2016	2015	US$	%	2016	2015	US$	%
Subscriptions	455,263	433,881	21,382	5%	914,968	898,272	16,696	2%
Contract and Implementation	40,216	28,525	11,691	41%	114,594	54,025	60,569	112%
Total	495,479	462,406	33,073	7%	1,029,562	952,297	77,265	8%

Revenue for the three months ended January 31, 2016 was $495,479, an increase of 7% compared to the same period a year ago. The increase is primarily due to new contracts signed with Tennessee Department of Agriculture and Leeds, Grenville & Lanark District Health Unit.

During the six months ended January 31, 2016, combined revenues were $1,029,562, an increase of $77,265 compared to the same period in 2015. This change is primarily due to more one-time fees earned on new contracts from new county contracts as well as custom implementation work with existing customers. Near the end of fiscal 2015, the corporate restructuring was nearing completion and management was tasked with driving sales growth.

During the six months ended January 31, 2016 recurring revenues increased $16,696 or 2% to $914,968 in fiscal year 2016 from $898,272 in the same period of fiscal year 2015.

Revenues and Direct Costs

	Three Months Ended January 31		Quarter-over-Quarter change		Six Months Ended January 31		YTD-over-YTD change	
	2016	2015	US$	%	2016	2015	US$	%
Revenues	495,479	462,406	33,073	7%	1,029,562	952,297	77,265	8%
Direct Costs								
Amortization – Software licenses	25,882	38,403	(12,521)	-33%	59,032	71,037	(12,005)	-17%
Hosting and data [1]	56,637	62,334	(5,697)	-9%	114,355	115,828	(1,473)	-1%
Net	412,960	361,669	51,291	14%	856,175	765,432	90,743	12%

(1) Hosting and data charges are combined in the condensed combined interim statement of loss and comprehensive loss as "Hosting and Telecommunications" for presentation purposes.

Revenues over direct costs increased modestly for the three and six months ended January 31, 2016 over 2015. Direct costs on sales licenses vary depending on exchange rates on cost of revenue expenses denominated in US dollars, data usage from hosting providers, and license maintenance fees to IBM.

Revenues by Geographic Region

		Three Months Ended January 31		Quarter-over-Quarter change		Six Months Ended January 31		YTD-over-YTD change	
		2016	2015	US$	%	2016	2015	US$	%
Canada									
	Subscriptions	111,906	121,850	(9,944)	-8%	225,315	267,908	(42,593)	-16%
	Contract and Implementation	1,784	-	1,784	0%	1,822	-	1,822	0%
	Total	113,690	121,850	(8,160)	-7%	227,138	267,908	(40,771)	-15%
	% of Total	23%	26%	-3%	-13%	22%	28%	-6%	-22%
US									
	Subscriptions	343,357	312,031	31,326	10%	689,653	630,364	59,289	9%
	Contract and Implementation	38,432	28,525	9,907	35%	112,772	54,025	58,747	109%
	Total	381,789	340,556	41,233	12%	802,424	684,389	118,035	17%
	% of Total	77%	74%	3%	5%	78%	72%	6%	8%
Total		495,479	462,406	33,073	7%	1,029,562	952,297	77,265	8%

For the three months ended January 31, 2016 revenues from the US accounted for 77% of total revenues compared to 74% during the same period in 2015. Canadian revenues accounted for 23% of total revenues in 2016 compared to 26% during the same period in 2015. The increase in US sales was due to securing contracts with significant customers such as Tennessee Department of Agriculture. The decrease in Canadian revenue is primarily due to the depreciation of the Canadian dollar, as well as delays in renewing contracts with existing customers.

During the six months ended January 31, 2016 revenues from the United States accounted for 78% of total revenues compared to 72% during the same period in fiscal 2015. Canadian revenues accounted for 22% of total revenues in 2016 compared to 28% during the same period in 2015. The decrease in Canadian sales is due primarily to the depreciation of the Canadian dollar, while the increase in US sales was due to the addition of several new county health departments in the period and modifications to existing agreements with current customers.

(Expressed in US dollars)

Selling and Marketing

	Three Months Ended January 31		Quarter-over-Quarter change		Six Months Ended January 31		YTD-over-YTD change	
	2016	2015	US$	%	2016	2015	US$	%
Advertising and Promotion	22,212	2,303	19,909	864%	26,581	5,769	20,812	361%
Meals and Entertainment	6,027	1,593	4,434	278%	10,673	2,423	8,250	340%
Travel and transport	23,865	18,816	5,049	27%	69,172	46,034	23,138	50%
Total	52,104	22,712	29,392	129%	106,426	54,226	52,200	96%

During the three and six months ended January 31, 2016, selling and marketing expenses increased by 864% and 361% respectively during the same periods in fiscal 2015. Increases in advertising and promotion, meals and entertainment and travel and transport were due to business development and fundraising efforts in the 2016 fiscal period.

As a percentage of total revenues, selling and marketing expenses increased by 5.6% and 4.6% for the three and six months ended January 31, 2016 compared to the same period fiscal 2015.

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

	Three Months Ended January 31		Quarter-over-Quarter change		Six Months Ended January 31		YTD-over-YTD change	
	2016	2015	US$	%	2016	2015	US$	%
Consulting Fees	110,220	35,993	74,207	206%	184,060	52,415	131,645	251%
Dues and Subscriptions	6,959	12,635	(5,676)	-45%	18,388	14,130	4,258	30%
Filing fees	16,777	-	16,777	0%	20,060	-	20,060	0%
Insurance	14,430	33,709	(19,279)	-57%	33,069	53,502	(20,433)	-38%
Information technology expenses	-	-	0	0%	-	1,000	(1,000)	-100%
Office Expenses	15,117	10,761	4,356	40%	21,686	24,052	(2,366)	-10%
Professional Fees	155,996	49,223	106,773	217%	212,303	97,009	115,294	119%
Rent	20,322	17,875	2,447	14%	35,812	27,722	8,090	29%
Restructuring costs	-	32,354	(32,354)	-100%	-	50,874	(50,874)	-100%
Royalties	12,172	7,828	4,344	55%	12,172	9,997	2,175	22%
Salary	298,393	247,005	51,388	21%	524,786	521,554	3,232	1%
Telephone and Internet	72,953	79,719	(6,766)	-8%	169,298	142,550	26,748	19%
Utilities	493	456	37	8%	1,842	1,346	496	37%
Total	723,812	527,558	196,254	37%	1,233,476	996,151	237,325	24%

During the three and six months ended January 31, 2016 general and administration (G&A) expenses increased by 37% and 24% respectively compared to the same periods in fiscal 2015. The increase of G&A was driven in large by professional and consulting fees incurred as part of the initial public offering offset by the restructuring costs in Q1 2015.

(Expressed in US dollars)

Interest and Financing Costs

	Three Months Ended January 31		Quarter-over-Quarter change		Six Months Ended January 31		YTD-over-YTD change	
	2016	2015	US$	%	2016	2015	US$	%
Interest	89,602	113,982	(24,380)	-21%	198,973	152,732	46,240	30%
Factoring fees	5,610	14,248	(8,637)	-61%	38,408	50,689	(12,280)	-24%
Total	95,212	128,230	(33,018)	-26%	237,381	203,421	33,960	17%

For the three months ended January 31, 2016, interest and financing costs decreased by 26% or $33,018 compared to the same period in 2015. The decrease in interest expenses is due to the result of the Company paying down secured loan in the beginning of the second quarter.

Finance costs for the six months ended January 31, 2016 increased $24,500 or 17%, to $237,381 from $203,421 compared to the same period in fiscal 2015. The increase in interest stem primarily from the additional debt financing the Company has used to finance the working capital requirements while the business was undergoing restructuring activities.

Net Loss

	Three Months Ended January 31		Quarter-over-Quarter change		Six Months Ended January 31		YTD-over-YTD change	
	2016	2015	US$	%	2016	2015	US$	%
Net Income (Loss) from Operations	(350,686)	(130,598)	(220,088)	151%	(423,606)	(178,320)	(245,286)	138%
Net Income (Loss)	(400,335)	(206,227)	(194,108)	81%	(582,831)	(327,659)	(255,172)	78%
Net Income (Loss) Per Share	(0.008)	(0.015)	0.007	-50%	(0.012)	(0.023)	0.011	-50%
Basic and Diluted Weighted Average Number of Shares Outstanding	50,317,102	14,013,546	36,306,556		50,317,102	14,013,546	36,306,556	

For the three months ended January 31, 2016, net loss increased by $220,088 compared to the same period in 2015. Net loss increased primarily due to the increased G&A expenses relating to the initial public offering at the beginning of the Company's second quarter. Net loss per share decreased to $0.007 per share for the three months ended January 31, 2016 compared to a loss of $0.015 in the same period in fiscal 2015 due to the issuance of additional shares from the initial public offering.

Net loss increased by $255,172 or 78%, to $582,831 for the six months ended January 31, 2016 from a loss of $327,659 in the same period in 2015. Net loss per share increased to $0.012 per share for the six months ended January 31, 2016 compared to a loss of $0.023 in the same period in fiscal 2015.

Net loss from operations for the three and six months ended January 31, 2016 increased by $220,088 and $245,286 respectively when compared to the same periods in 2015. This is primarily the result of increased professional and consulting fees relating to the initial public offering in November 2015.

4. SELECTED QUARTERLY INFORMATION

The following table presents unaudited selected combined financial information for each of the last three reported quarters for which the Company reported its financial results. Only three of the previous eight quarters have been disclosed pursuant to section 1.5 of Form 51-102F1 of National Instruments 51-102.

Quarter ended	January 31, 2016	October 31, 2015	July 31, 2015
Revenues	495,479	534,084	456,326
Operating Expenses	846,165	603,002	716,578
Net Loss from Operations	(350,686)	(68,918)	(260,252)
Net Loss	$ (400,335)	$ (179,800)	$ (278,110)
Net Loss Per Share	($0.008)	($0.006)	($0.008)

(Expressed in US dollars)

5. LIQUIDITY AND CAPITALRESOURCES

	Six Months Ended January 31	
	2016	**2015**
	US$	US$
Net Loss	(582,831)	(327,659)
Net cash flows used in operating activities before net	(1,062,226)	(35,488)
Net change in non-cash operating items (add back non-cash items)	163,880	179,262
Net cash flows generated by operating activities	(1,751,736)	(183,885)
Net cash flows used in investing activities	(125,878)	0
Net cash flows generated (used) by financing activities	(532,650)	183,830
Effect of exchange rate changes on cash	(105,837)	(49,170)
Decrease in cash	(2,516,101)	(49,225)
Cash at beginning of period	2,577,333	53,409
Cash at end of period	61,233	9,349
Bank Indebtedness		(5,165)
Total Cash	$ 61,233	$ 4,184

The company has experienced significant working capital deficits for some time, as a result of their growth strategy and recent acquisitions of technology. Long term contractual obligations are present in the form of capital leases and rental agreements. As of January 31, 2016, there are six lease agreements outstanding with a total payable of $30,976. $98,101 will be paid within the next year leaving a balance of $14,308 to be paid thereafter.

The Company experiences significant fluctuations in their liquidity as clients are invoiced on an annual basis whereas the expenses are mostly spread out evenly through the fiscal year. The majority of the cash inflow from the revenue is collected mostly April through July of each year. As of the three months ended January 31, 2016 a large portion of the company's working capital was tied up servicing its senior debt obligations as well as working capital needs. In addition to the special warrant financing which closed between April and July 2015, the Company closed a private placement of 1,750,000 common shares on December 21, 2015 for gross proceeds of $350,000. These financings will help serve to repay certain secured debt obligations as well as support the Company's working capital needs through its sales expansion efforts.

With these recent sales efforts and the release of new technologies, the Company foresees strong growth in its revenues, without a significant impact to its cost structure.

The anticipated free cash flow from operations will allow the Company to full repay its secured debt over the next two years.

(Expressed in US dollars)

6. COMBINED FINANCIAL POSITION

	January 31, 2016	July 31, 2015	Variance from July 31, 2015 to January 31, 2016
Working Capital	(883,548)	(170,488)	(713,060)
Asset Acquisition	-	-	-
Property and Equipment	57,940	45,884	12,056
Intangible Assets	487,412	527,673	(40,261)
Software License Inventory	269,838	290,051	(20,213)
Goodwill	1,707,820	1,835,750	(127,930)
Long Term Assets	2,523,010	2,699,358	(176,348)
Loan Facilities and LTD			
Secured Loans	729,337	1,177,687	(448,350)
Finance Lease Obligations (Long-Term)	14,308	488	13,820
Convertible Debentures (Long-Term)	58,749	84,784	(26,035)
Long Term Liabilities	802,394	1,262,959	(460,565)
Lease Obligations, including current term, and commitments	174,716	324,601	(149,885)

Working Capital

As at January 31, 2016, the Company had a working capital deficit of $883,548. This deficit was financed by the combination of the initial public offering, bridge loans, and short term accounts receivable financing. This was an increase of $713,060 over the last fiscal year's working capital deficit of $170,488. This change was primarily the result of the decrease in restricted cash, various financing costs relating to the initial public offering in November 2015, and the repayment of part of the loan term secured loans.

The working capital balance consisted of notably $546,018 in accounts receivable and other receivables, $273,987 in prepaids and deposits, $1,223,605 in accounts payable and other accrued liabilities, and $352,211 in deferred revenue. The Company has historically experienced low amounts of bad debts on its accounts receivable balances.

Property and Equipment and Intangible Assets

Long Term Assets decreased $176,348 as at January 31, 2016 compared to July 31, 2015. The decrease is largely driven by amortization and foreign exchange translation.

Software licensing Inventory

As at January 31, 2016, the company had $269,838 in Software License Inventory compared to $290,051 at July 31, 2015. There was no change in the amount of licenses held by the Company, the change was a function of currency fluctuations.

The Company has entered into an agreement with IBM Canada to be an authorized service provider. As part of this agreement, the Company currently holds 3,043 usage licenses and 1,100 server processor licenses from IBM Canada and is authorized to distribute the usage rights to clients of the Company. These licenses remain under the control of the Company and are property of the Company as long as the Company holds a maintenance contract with IBM Canada. The current maintenance contract expires December 31, 2016. As has been the historical trend, the Company engaged a leasing company in order to finance the maintenance contract.

Capital Resources

Secured Loan

On November 21, 2013, Britannica received secured loans totaling CDN $1.7 million, bearing interest at a rate of 17% per annum and maturing on November 21, 2015. The secured loans are secured by way of a general security agreement against all of the Company's present and future-acquired assets. Britannica also issued common share purchase warrants to the lenders of the secured loans.

On September 30, 2014, Britannica violated the minimum cash position covenant and was in default of its secured loan agreement. Britannica was unable to cure the default within the allowed 10 day period after the Notice of Default and Intention to Enforce Security September 30, 2014 were delivered. The default resulted in the seizure of all of Britannica's present and after-acquired assets.

On November 5, 2014, the original lenders extended a loan for CDN $1.7 million (unpaid amount at October 31, 2015 - $1,017,676, of which $318,667 is due within the next twelve months) to NST, bearing interest at 20% per annum and maturing on December 31, 2016 (the "Reissued Loan"). The security from the original loan has been carried over to secure the advances under the Reissued Loan.

Between November 2, 2015 and November 18, 2015, a portion of the secured loan, with an outstanding principal balance of CDN $709,918 and accrued and unpaid interest of CDN $24,606, were repaid.

Pledged Accounts Receivable

At various times, depending on cash flow requirements, the Company sells portions of its receivables to a 3rd party. These advances are secured against the value of those invoices, and are repaid upon collection. Interest is charged at a rate of 20% per annum on a per diem basis.

As at January 31, 2016, amounts owing related to the Pledged Accounts Receivable were $188,395.

Convertible debentures

On July 31, 2009, the Company issued convertible debentures that may convert into pre-amalgamation Class C and Class D Preferred shares to replace previously outstanding debentures in Joule Microsystems Canada Inc. and Healthspace Integrated Solutions Ltd. On the May 15, 2015 amalgamation, the Class C and Class D Preferred Shares were converted to 4,486,021 post-amalgamation common shares of Healthspace.

The Convertible Debentures had a maturity of July 31, 2014, with interest accruing at 7% per annum only after maturity. At the Company's option, the principal and any accrued interest may be repaid in three even payments on August 1, 2015, 2016 and 2017.

As at January 31, 2016, amounts owing related to the Convertible Debentures were $130,935.

The payment of principal and accrued interest due on July 31, 2015 was paid on August 1, 2015. On August 12, 2015, the Company made offers to the debenture holders with respect to accelerated repayment options. On November 9, 2015, the Company entered into redemption agreements with certain convertible debentures holders. Convertible debentures with an outstanding principal balance of CDN $119,104 were redeemed by the Company for CDN $59,552.

Unsecured advances

Carried forward from 2012 and earlier, the Company has $275,502 of various unsecured advances on its books. A further $532,814 was payable in the form of promissory notes to the secured lenders.

Financial Instruments and Off-Balance Sheet Arrangements

As at January 31, 2016 the Company has not entered into any derivative or other off-balance sheet arrangements.

7. RELATED PARTY TRANSACTIONS

Transactions with directors and management

As at January 31, 2016 amounts owing to companies controlled by directors included $Nil (July 31, 2015 - $190,792) in accounts payable and accrued liabilities.

For the three and six months ended January 31, 2016, $52,336 and $64,604 (Three and six months ended January 31, 2015 - $12,861 and $26,415, respectively) of consulting and success fees were paid to companies controlled by directors of The Company. $38,138 and $50,104 (Three and six months ended January 31, 2015 - $12,861 and $26,415) of capital market consulting fees were paid to a company controlled by Ali Hakimzadeh. $14,198 and $14,500 of capital market consulting fees were paid to a company controlled by Warwick Smith for the three and six months ended January 31, 2016 (three and six months ended January 31, 2015, $Nil).

For the three and six months ended January 31, 2016 salaries and other short-term employee benefits paid to the Company's key management personnel, who have the authority and responsibility for planning, directing and controlling the activities of the Company, was $30,271 and $61,878 (three and six months ended January 31, 2015 - $22,751 and $46,729) to Joe Willmott, President, and Warwick Smith, Chief Executive Officer. Joe Willmott was paid $19,320 and $39,463 for the three and six months ended January 31, 2016 ($22,751 and $46,729 for the three and six months ended January 31, 2015). $10,951 and $22,415 was paid to Warwick Smith for the three and six months ended January 31, 2016 (three and six months ended January 31, 2015, $Nil).

Transactions with lenders

For the three months and six months ended January 31, 2016, $7,818 and $17,201 of interest was paid or accrued on loans made from a fund controlled by Christopher Morris, a director of the company. On November 9, 2015, $158,131 of the loan principal was repaid.

8. RESULTS OF OPERATIONS FOR THE QUARTER

For the three months ended January 31, 2016 ("Q2 2016"), the Company had a net loss of $400,335 compared to a net loss of $206,227 for the three months ended January 31, 2015 ("Q2 2015"). General and administrative expenses of $775,916 were incurred during Q2 2016 compared to $550,270 during Q2 2015. Most of the general and administrative cost increase in the period is related to filing fees, professional and consulting fees relating to the initial public offering in November 2015. The publicity from the fundraising efforts translated to a revenue increase of $33,073 to $495,479 for the three months ended January 31, 2016 when compared to the same period last year.

For the six months ended January 31, 2016, the Company had a loss of $582,831 compared to a net loss of $327,659 when compared to the same period in FY15. General and administrative expenses of $1,339,902 were incurred for the six months ended January 31, 2016 compared to $1,050,377 during the same period in FY15, an increase of 22%. Most of the general and administrative cost increase in the period is related to filing fees, professional and consulting fees relating to the initial public offering in November 2015. Travel and marketing expenses increased by $52,200 for the six months ended January 31, 2016 when compared to the same period in FY15. These increases in expenses are made in effort to gain market share and expand sales. The efforts are evident from the increase in revenue by $77,625or 8% for the six months ended January 31, 2016 when compared to the same period in FY15.

9. FUTURE ACCOUNTINGCHANGES

The IASB has made the pronouncements related to accounting changes, which have not yet been adopted by the Company. As of the date hereof, these standards, amendments and interpretations have not been early adopted and are not expected to have a material effect on the Company's future results and financial position.

For a detailed discussion of new accounting standards issued but not yet applied, and new accounting standards adopted, refer to *Note 3 – Significant Accounting Policies* in each of the Company's accompanying condensed combined interim financial statements for the three and six months ended ending January 31, 2016.

For full description of the Company's accounting policies, refer to *Note 2 – Basis of Presentation* and *Note 3 – Significant Accounting Policies* in the Company's condensed combined financial statements for the three and six months ended October 31, 2016.

10. FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities are classified as follows:

- Cash and restricted cash are classified as "fair value through profit or loss" and are measured at fair value.
- Accounts receivable and other receivables are classified as "loans and receivables" and are measured at amortized cost. At January 31, 2016, the recorded amounts approximate fair value.
- Accounts payable and accrued liabilities, notes payable, convertible debentures, other liabilities, and secured loans are classified as "other financial liabilities" and are measured at amortized cost. At January 31, 2016, the recorded amounts approximate fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or liability not measured at fair value through profit and loss are added to the carrying amount of the financial asset or financial liability, and are amortized to operations using the effective interest rate method.

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; and
- 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 January 31, 2016, there were no financial assets or liabilities measured and recognized in the condensed combined interim statement 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 Government Sales Tax and scientific research tax credits due from the Federal Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at January 31, 2016 is $546,015 (July 31, 2015 - $289,982), representing accounts receivable and other receivables.

The Company considers credit risk on its receivables from the Federal Government of Canada to be minimal.

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

As at January 31, 2016, $139,275 of customer receivables are past due but not impaired (July 31, 2015 - $21,078).

The majority of the Company's customer receivables are due from customers in the United States of America. As at January 31, 2016, the Company's two major customers accounted for $61,675 of accounts receivable (as at July, 2015 - $81,923).

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 variable rate 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 limited 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 19 of the condensed combined interim financial statements. Accounts payable and accrued liabilities, notes payable, and other liabilities are all due within the current operating period.

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 receive 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 are 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 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 favourable 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.
- The Company's technology is based in part on a 3rd party platform, which may become obsolete, resulting in a lack of competitiveness.
- 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.

Common Share Purchase Warrants

During the year ended July 31, 2014, Britannica, HealthSpace 2009 and HealthSpace USA issued common share purchase warrants to the lenders of the secured loans. The common share purchase warrants allowed the lenders of the secured loan to acquire up to an aggregate of 2% of the issued and outstanding common shares of each of Britannica, HealthSpace 2009 and HealthSpace USA. The common share purchase warrants have an exercise price of $0.001 and expire on November 21, 2010.

As part of the amalgamation of HealthSpace 2009 and NST, the common share purchase warrants issued by HealthSpace 2009 were cancelled and replaced by the same number of common share purchase warrants of HealthSpace, with the same terms.

On July 30, 2015, the Company acquired the lender's HealthSpace USA warrants for consideration of 100,000 common shares of HealthSpace.

On November 12, 2015, the lenders of the secured loans exercised all of their common share purchase warrants to acquire 2% of the issued and outstanding common shares of HealthSpace.

As part of the completion of several tranches of a non-brokered private placement of special warrants, the Company reserved 1,013,600 finder's warrants for issuance on receipt of its prospectus to be filed with the British Columbia Securities Commission. These finder's warrants have been valued at $83,882, based on the fair value of the services received. The finder's warrants have an exercise price of $0.20 and expire 2 years after the receipt of the Company's prospectus to be filed with the British Columbia Securities Commission. These warrants were fully exercised during Q2.

(Expressed in US dollars)

Issued and Outstanding Shares

On May 15, 2015, NST Holdings Ltd. and HealthSpace 2009 amalgamated to create the Company, approved by way of a shareholder's vote. Upon amalgamation, shares were issued to the shareholders of the Predecessor Companies at the following ratios:

HealthSpace Class A Shares:	1 : 1.51035271
HealthSpace Class C Shares:	1: 4.077952316
HealthSpace Class D Shares:	1: 4.077952316
NST Common shares:	1 : 8,227.0455

On April 2, 2015, the Company closed a non-brokered private placement of 3,071,667 special warrants for gross proceeds of CDN $460,750. Proceeds from the private placement have been used to repay liabilities and for general working capital purposes. Each special warrant will be convertible into one common share of the Company on receiving a receipt for a prospectus to be filed with the British Columbia Securities Commission.

Between June 3, 2015 and July 28, 2015, the Company completed several tranches of a non-brokered private placement of 15,067,500 special warrants, also convertible into common shares of the Company, for aggregate proceeds of CDN $3,013,500.

On December 21, 2015 the Company closed a private placement of 1,750,000 common shares for gross proceeds of $350,000. Proceeds from the private placement will be used for research and development, and general working capital.

50,317,102 common shares and special warrants are outstanding at January 31, 2016 (July 31, 2015 – 47,495,717).

As of the date of this MD&A, the fully diluted share capital of the Company is 51,230,702 shares, comprising 50,317,102 common shares, and 1,013,600 share purchase warrants.