

HEALTHSPACE DATA SYSTEMS LTD.

Condensed Combined Interim Financial Statements
(Unaudited)

For the three months ended October 31, 2015
(Expressed in US dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

HEALTHSPACE DATA SYSTEMS LTD.
Condensed Combined Interim Statements of Financial Position
As at October 31, 2015
Unaudited (Expressed in US dollars)

	October 31, 2015	July 31, 2015
ASSETS		
Current Assets		
Cash	\$ 15,082	\$ 276,885
Restricted cash (Note 13 and 20)	2,304,725	2,300,448
Accounts receivable	264,522	177,957
Prepaid and deposits	135,257	99,853
Other receivables	124,067	112,025
Total Current Assets	2,843,653	2,967,168
Property and Equipment (Note 5)	44,833	67,812
Software License Inventory (Note 7)	290,583	290,051
Intangible Assets (Note 6)	568,014	527,673
Goodwill (Note 4)	1,839,117	1,835,750
TOTAL ASSETS	5,586,200	5,666,526
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	1,499,702	1,468,136
Deferred revenue (Note 8)	588,528	549,736
Notes payable (Note 9)	808,315	643,174
Current portion of secured loans (Note 12)	318,667	134,580
Current portion of finance lease obligations (Note 10)	30,777	61,881
Current portion of convertible debentures (Note 11)	174,579	262,720
Other liabilities (Note 4)	17,461	17,429
Total Current Liabilities	3,438,029	3,137,656
Secured Loans (Note 12)	1,017,676	1,177,687
Finance Lease Obligations (Note 10)	199	488
Convertible Debentures (Note 11)	35,859	84,784
TOTAL LIABILITIES	4,491,763	4,400,615
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	418,390	381,056
Share subscriptions (Note 13)	1,994,308	1,990,657
Warrant reserve	92,624	92,454
Foreign currency translation adjustment	25,971	58,801
Deficit	(1,436,857)	(1,257,057)
TOTAL SHAREHOLDERS' EQUITY	1,094,437	1,265,911
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 5,586,200	\$ 5,666,526

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

Approved on behalf of the Board of Directors

"Ali Hakimzadeh" Director

"Christopher Morris" Director

HEALTHSPACE DATA SYSTEMS LTD.**Condensed Combined Interim Statements of Loss and Comprehensive Loss**

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

For the three months ended	October 31, 2015	October 31, 2014
REVENUE		
Subscriptions	\$ 459,744	\$ 464,103
Contract and implementation	74,340	21,087
Total revenue	534,084	485,190
OPERATING EXPENSES		
Amortization	9,117	8,353
Amortization – software licenses	33,310	32,418
Advertising and promotion	4,004	3,465
Consulting fees	73,089	24,877
Dues and subscriptions	11,532	1,508
Filing and exchange fees	2,990	-
Insurance	18,581	19,369
Information technology expenses	-	1,000
Meals and entertainment	4,613	819
Office expenses	6,385	13,742
Professional fees	53,917	82,509
Rent	15,503	14,972
Restructuring costs	-	18,092
Royalties	-	2,169
Salaries and wages	226,493	283,438
Hosting and telecommunication	96,368	62,431
Travel and transportation	45,732	27,299
Utilities	1,368	901
Total operating expenses	603,002	597,362
LOSS FROM OPERATIONS	(68,918)	(112,172)
OTHER INCOME (EXPENSES)		
Interest	(149,049)	(133,449)
SR&ED recovery	11,759	9,543
Foreign exchange gain	26,408	59,219
NET LOSS	(179,800)	(176,859)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	(26,288)	(42,117)
COMPREHENSIVE LOSS	\$ (206,088)	\$ (218,976)
BASIC AND DILUTED LOSS PER SHARE (Note 16)	\$ (0.006)	\$ (0.013)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Note 16)	29,358,679	14,013,546

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

HEALTHSPACE DATA SYSTEMS LTD.**Condensed Combined Interim Statements of Changes in Shareholders' Equity (Deficiency)**

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

	Share capital		Share subscriptions	Warrant Reserve	Foreign currency translation adjustment	Deficit	Total
	Number of Shares (Note 1)	Amount					
Balances, August 1, 2014	14,013,546	\$ 92	\$ -	\$ 10,311	\$ (30,512)	\$ (359,654)	\$ (379,763)
Foreign currency translation adjustment recognized directly in equity	-	(12)	-	(1,319)	1,331	-	-
Other comprehensive loss	-	-	-	-	(42,117)	-	(42,117)
Net loss	-	-	-	-	-	(176,859)	(176,859)
Balances, October 31, 2014	14,013,546	\$ 80	\$ -	\$ 8,992	\$ (71,297)	\$ (536,513)	\$ (598,739)
Balances, August 1, 2015	47,495,717	\$ 381,056	\$ 1,990,657	\$ 92,454	\$ 58,801	\$ (1,257,057)	\$ 1,265,911
Shares to be issued	-	34,613	-	-	-	-	34,613
Foreign currency translation adjustment recognized directly in equity	-	2,721	3,651	170	(6,542)	-	-
Other comprehensive loss	-	-	-	-	(26,288)	-	(26,288)
Net loss	-	-	-	-	-	(179,800)	(179,800)
Balances, October 31, 2015	47,495,717	\$ 418,390	\$ 1,994,308	\$ 92,624	\$ 25,971	\$ (1,436,857)	\$ 1,094,437

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

HEALTHSPACE DATA SYSTEMS LTD.**Condensed Combined Interim Statements of Cash Flows**

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

	October 31, 2015	October 31, 2014
For the three months ended		
OPERATING ACTIVITIES		
Net loss	\$ (179,800)	\$ (176,859)
Adjustments for:		
Amortization of property and equipment and intangible assets	9,117	4,880
Software licenses under finance leases	33,310	32,418
Interest	114,755	133,449
	(22,617)	(6,113)
Net changes in non-cash working capital items		
Increase in accounts payable	121,415	35,814
Decrease (increase) in accounts receivable	(86,530)	1,073
Decrease (increase) in other receivables	(11,759)	2,921
Increase in deferred revenue	38,902	101,601
(Increase) decrease in prepaid and deposits	(68,305)	963
	(81,333)	142,372
Interest paid	(114,424)	(90,669)
	(218,374)	45,590
INVESTING ACTIVITIES		
Acquisition of property and equipment	(8,001)	-
Acquisition of intangible assets	(75,056)	-
	(83,058)	-
FINANCING ACTIVITIES		
Payments on finance lease obligations	(31,303)	(67,717)
Proceeds from notes payable, net	140,568	85,717
Repayments of convertible debentures	(149,106)	-
Proceeds from issuance of shares	36,396	-
	(3,446)	18,219
Net cash increase for period	(229,821)	63,810
Effects of movements in exchange rates on cash held	(27,705)	(65,663)
CASH, beginning of period	2,577,333	54,691
CASH, end of period	\$ 2,319,807	\$ 52,839
CASH IS COMPOSED OF:		
Cash	\$ 15,082	\$ 52,839
Restricted cash	2,304,725	-
	\$ 2,319,807	\$ 52,839

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

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

1. NATURE OF OPERATIONS

Financial Statement Presentation Framework

These condensed combined interim financial statements present the historical financial condition of the Company as if the amalgamation completed on May 15, 2015 had occurred on July 31, 2009 and that the Company had operated continuously since July 31, 2009, on the basis that the economic activities of the Company encompass assets and liabilities that can be clearly distinguished from those linked to other economic activities and that the economic activities of the integrated assets and liabilities were conducted for the purpose of providing specific economic benefits.

HealthSpace Data Systems Ltd., formerly known as HealthSpace Informatics Ltd., (“Healthspace” or the “Company”) was formed on May 15, 2015 on the amalgamation of NST Holdings Ltd. (“NST”) and its wholly owned subsidiary companies, HealthSpace Informatics Ltd. (“Healthspace 2009”), HealthSpace Informatics USA Inc. (“Healthspace USA”), Joule Microsystems Inc. and Joule Biosystems Inc. NST was incorporated in the Province of British Columbia, Canada on October 31, 2014. Healthspace 2009 was incorporated in the Province of British Columbia, Canada on July 31, 2009, on the amalgamation of Healthspace Integrated Solutions Ltd. and Joule Microsystems Canada Inc. Healthspace USA was incorporated in the State of Virginia on December 28, 2000.

These condensed combined Interim financial statements also include the historical financial information of Britannica HealthSpace Holdings Ltd. (“Britannica”). Britannica owned Healthspace 2009, Healthspace USA, Joule Microsystems Inc. and Joule Biosystems Inc. from November 21, 2013 to November 5, 2014, when its assets were sold to NST (see “Corporate Reorganization”). While Britannica owned Healthspace 2009, Healthspace USA, Joule Microsystems Inc. and Joule Biosystems Inc., Britannica provided working capital financing to Healthspace 2009, through a secured loan it obtained from third party lenders of CDN \$1.7 million (Notes 4 and 12).

The Condensed Combined Interim companies are referred to in these Condensed Combined Interim financial statements as the “Company”. The head office of the Company is located at 201-7491 Vedder Road, Chilliwack, British Columbia, V2R 6E7.

Corporate Reorganizations

Healthspace 2009, the Company’s principal operating company, was incorporated in the Province of British Columbia, Canada on July 31, 2009, on the amalgamation of two predecessor companies, Healthspace Integrated Solutions Ltd. and Joule Microsystems Canada Inc. Healthspace 2009’s principal business activity continued to be the development and sale of information and communication management systems for health inspection departments of federal, provincial, state and municipal governments in Canada and the United States of America.

On September 10, 2013, 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 (previously recorded as liabilities in these condensed combined interim financial statements). On November 21, 2013, Britannica obtained control of Healthspace 2009 by completing the purchase of 100% of the issued and outstanding pre-amalgamation Class A Common Voting Shares for CDN \$0.09 per share (Note 4). Britannica also purchased 99% of the issued and outstanding pre-amalgamation Class C Preferred Shares for CDN \$0.30 per share (Notes 4 and 10 (a)).

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 (Note 12). 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 delivered notices of default and intention to enforce security under the loan provisions to Britannica on September 30, 2014. This gave the lenders of the secured loan 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 of the secured loan, 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 DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

1. NATURE OF OPERATIONS (continued)

Going Concern

After the acquisition by NST, the operating subsidiary company, Healthspace 2009, continued to operate its business in the same manner as before. As at October 31, 2015 the Company had a working capital deficiency of \$594,376 (July 31, 2015 - deficiency of \$170,488) and will therefore need funding to continue its operations. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles to a going concern will be in significant doubt.

Based on the nature of the corporate transactions disclosed above and that the primary operations of the Company are of its subsidiary, Healthspace, these condensed combined interim financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These condensed combined interim financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue its operations in the normal course of business.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed combined interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* ("IAS 34"), using accounting policies which are consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual financial statements in compliance with IAS 1 *Presentation of Financial Statements* ("IAS 1").

Except as noted below, these condensed combined interim financial statements follow the same accounting policies and methods of application as the most recent annual audited combined financial statements for the year ended July 31, 2015 and should be read in conjunction with those audited combined financial statements.

These condensed combined interim financial statements were approved by the Board of Directors and authorized for issue on December 31, 2015.

Basis of Measurement

These condensed combined interim financial statements have been prepared on a historical cost basis, except for cash, restricted cash and financial instruments classified as fair value through profit or loss or available-for-sale that have been measured at fair value, and are presented in US dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates and Judgments

The preparation of these condensed combined interim financial statements required management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these condensed combined interim financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Estimates and Judgments (continued)

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these Condensed Combined Interim financial statements include, among others, the recoverability of accounts receivable and other receivables, measurement of share-based payments and the valuations of property and equipment, intangible assets, goodwill, software license inventory and deferred tax assets.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from property and equipment, intangible assets, goodwill and the software license inventory.

Business Combinations

In the absence of specific IFRS guidance on the preparation of condensed combined interim financial statements, the Company defined the principles and conventions for combination presented hereunder.

The Company accounts for any business combinations which occurred after July 31, 2009 using the acquisition method of accounting as of the date that control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Goodwill is measured as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets and liabilities assumed, measured as at the acquisition date. Any goodwill that arises is tested annually for impairment. Any gains on a "bargain purchase" are recognized in the condensed combined interim statement of loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. All inter-company transactions, balances, income and expenses are eliminated in the condensed combined interim financial statements.

The consideration transferred on acquisition does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the condensed combined interim statement of loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured at any time and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognized in the condensed combined interim statement of loss.

Presentation and Functional Currencies

The functional currency of Healthspace is the Canadian dollar. The functional currency of the Company's US operations is the US dollar. Transactions in currencies other than the Company's functional currency are initially recorded in the functional currency at the foreign exchange rates on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated into the functional currency using the period end foreign exchange rate. Non-monetary assets and liabilities are translated into the functional currency using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated into the functional currency using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the condensed combined interim statement of loss.

The Company has selected the US dollar as the presentation currency of these condensed combined interim financial statements. The assets, liabilities and equity of the parent entity are translated to US dollars at the foreign exchange rates in effect at the end of the period. The income and expenses of the parent entity are translated at the foreign exchange rates at the dates of the transactions. All gains and losses on translation of these foreign currency transactions are included in other comprehensive income or loss or recognized directly in equity and accumulated in the foreign currency translation adjustment reserve.

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Presentation and Functional Currencies (continued)

Foreign exchange rates used for currency translation in these condensed combined interim financial statements include:

Period end dates	US to CDN	CDN to US
July 31, 2015	1.3099	0.7634
October 31, 2015	1.3075	0.7648

Period averages	US to CDN	CDN to US
Three months ended October 31, 2014	1.3161	0.8392
Three months ended October 31, 2015	1.3075	0.7634

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 October 31, 2015, the recorded amounts approximate fair value.
- Accounts payable and accrued liabilities, notes payable, convertible debentures, other liabilities, preferred share liability and secured loans are classified as "other financial liabilities" and are measured at amortized cost. At October 31, 2015, 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 October 31, 2015, 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.

Impairment of Financial Assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between the carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in the condensed combined interim statement of loss. If the amount of the impairment decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed, up to the original carrying value of the asset. Any reversal is recognized in the condensed combined interim statement of loss.

Cash

Cash in the condensed combined interim statement of financial position comprise cash at banks and on hand and short-term deposits, which have an original maturity of three months or less or are readily convertible into a known amount of cash.

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recorded using either the declining balance or the straight-line method and is intended to depreciate the costs of assets over their estimated useful lives:

Office equipment	20% declining balance
Computer hardware	33% declining balance
Computer software	100% declining balance
Leasehold improvements	5 years straight line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible Assets and Goodwill

Recognition and measurement

Goodwill Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets Other intangible assets, including customer relationships and contracts, unpatented technology and an inspection application that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recorded in the Condensed Combined Interim statement of loss as incurred.

Amortization

Amortization is recorded annually using the straight-line method and is intended to amortize the costs of the assets over their estimated useful lives:

Customer relationships and contracts	10%
Unpatented technology	17%
Inspection application	33%

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Software License Inventory

Software license inventory includes all costs incurred to acquire licenses. The software license inventory is recorded at cost and is considered an indefinite life asset. Management conducts an impairment test at least annually by comparing carrying values to recoverable amounts and when there is an indication that impairment has occurred, an impairment charge is recorded. Changes arising from the test are recorded by the Company prospectively.

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets have suffered any impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the condensed combined interim statement of loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Leases

A lease that transfers substantially all of the benefits and risks of ownership to the Company is classified as a finance lease. At the inception of a finance lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair market value. Assets under finance leases are amortized on the declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the condensed combined interim statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset when it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments.

Incremental costs directly attributed to the issuance of new shares are shown in equity as a reduction, net of tax, of the proceeds received on issue.

Income Recognition

Revenue is recognized when the product or service is delivered, the price is fixed or determinable, persuasive evidence of an arrangement exists and collectability is reasonably assured. Contract revenue is accounted on the percentage of completion basis. Amounts invoiced or received for which the contracted services have not yet been performed are reflected as deferred revenue.

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income or Loss

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Financial assets that are classified as available-for-sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the condensed combined interim statement of financial position. Certain gains and losses on the translation of amounts between the functional and presentation currency of the Company are included in other comprehensive income or loss.

Income Taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the condensed combined interim statement of financial position and their corresponding tax values, using the enacted or substantially enacted income tax rates at each condensed combined interim statement of financial position date. Deferred tax assets also result from unused losses, tax credits, and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

Loss Per Share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Adoption of New Accounting Pronouncements

The following is a summary of new standards, amendments and interpretations that are effective for annual periods beginning on or after January 1, 2014:

- IAS 32, Financial Instruments: presentation (“IAS 32”) – amendments
In December 2011, the IASB issued amendments to IAS 32. The amendments clarify that an entity currently has a legally enforceable right to set-off financial assets and liabilities if that right is (1) not contingent on a future event; and (2) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. These amendments are effective for annual periods beginning on or after January 1, 2014 with early application permitted and are to be applied retrospectively. The application of the amendments to IAS 32 did not have any material impact on the condensed combined interim financial statements presented.
- IAS 36, Impairment of Assets (“IAS 36”) – amendments
The amendments to IAS 36 outline the additional disclosures that will be required with regards to the recoverable amount of impaired assets. The application of the amendments to IAS 36 did not have any material impact on the condensed combined interim financial statements presented.

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Pronouncements (continued)

The following is a summary of new standards, amendments and interpretations that are effective for annual periods beginning on or after July 1, 2014:

- IFRS 3, Business Combinations (“IFRS 3”) - amendments
The amendment to IFRS 3 provides further clarification on the accounting treatment for contingent consideration, and provides a scope exception for joint ventures. The application of the amendment to IFRS 3 did not have any material impact on the condensed combined interim financial statements presented.
- IFRS 8, Operating Segments (“IFRS 8”) - amendments
The amendments to IFRS 8 provide further clarification on the disclosure required for the aggregation of segments and the reconciliation of segment assets. The application of the amendments to IFRS 8 did not have any material impact on the condensed combined interim financial statements presented.
- IFRS 13, Fair Value Measurement (“IFRS 13”) - amendments
The amendment to IFRS 13 provides further details on the scope of the portfolio exception. The application of the amendment to IFRS 13 did not have any material impact on the condensed combined interim financial statements presented.
- IAS 16, Property, Plant and Equipment (“IAS 16”)
The amendment to IAS 16 deals with the proportionate restatement of accumulated depreciation on revaluation. The application of the amendment to IAS 16 did not have any material impact on the condensed combined interim financial statements presented.
- IAS 24, Related Party Disclosures (“IAS 24”) – amendments
The amendment to IAS 24 deals with the disclosure required for management entities. The application of the amendment to IAS 24 did not have any material impact on the condensed combined interim financial statements presented.
- IAS 38, Intangible Assets (“IAS 38”) - amendments
The amendment to IAS 38 deals with the proportionate restatement of accumulated depreciation on revaluation. The application of the amendment to IAS 38 did not have any material impact on the condensed combined interim financial statements presented.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The application of the above new standards, amendments and interpretations did not have any material impact on the condensed combined interim financial statements presented.

Recent Accounting Pronouncements

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these condensed combined interim financial statements:

- IFRS 7, Financial Instruments: Disclosures ("IFRS 7") - amendments
The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9. These amendments are effective for annual periods beginning on or after January 1, 2015.
- IFRS 9, Financial Instruments ("IFRS 9")
IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. The effective date for application of IFRS 9 was revised from annual periods beginning on or after January 1, 2015, to annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the adoption of the amendments on its condensed combined interim financial statements; however, the impact, if any, is not expected to be significant.
- IFRS 15, Revenue from contracts with customers ("IFRS 15")
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 14 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.
- IAS 16, Property, Plant and Equipment ("IAS 16")
The amendment to IAS 16 provides clarification of acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016.
- IAS 38, Intangible Assets ("IAS 38") - amendments
The amendment to IAS 38 provides clarification of acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016.

The Company is currently assessing the impact that these new and amended standards will have on the condensed combined interim financial statements.

4. ACQUISITION OF HEALTHSPACE BY BRITANNICA

On November 21, 2013, Britannica obtained control of Healthspace 2009 by acquiring 100% of the pre-amalgamation Class A Common Voting Shares of Healthspace 2009. Acquiring Healthspace 2009 allowed Britannica to consolidate the shareholder base of Healthspace 2009 in order to align shareholder incentives with those of management and to operate more freely when considering future strategic plans.

To finance the acquisition of Healthspace 2009, Britannica obtained a secured loan of CDN \$1.7 million (Note 12).

Consideration Transferred

Britannica purchased 100% of the issued and outstanding shares of Healthspace 2009 for CDN \$0.09 per share, for a total of \$540,489, of which \$17,429 (2014 - \$20,966), included in other liabilities, remains payable at July 31, 2015.

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4. ACQUISITION OF HEALTHSPACE BY BRITANNICA (continued)

Separately Recognized Transactions

In connection with the acquisition of 100% of the pre-amalgamation Class A Common Voting Shares of Healthspace 2009, Britannica also used the financing of CDN \$1.7 million for the following purposes:

- CDN \$154,576 was used to provide an unsecured working capital loan to Healthspace 2009;
- CDN \$300,000 was paid to settle the balance owing from Healthspace 2009 to the HSBC Bank for bank indebtedness;
- CDN \$300,000 was paid on the note payable to Barrega Enterprises (Note 9 (a)); and
- CDN \$215,640 was used to acquire 718,800 of the issued and outstanding pre-amalgamation Class C Preferred Shares of Healthspace 2009.

Britannica incurred acquisition-related costs of CDN \$55,219 in legal fees, accounting fees and due diligence costs. These costs have been included in professional fees in the condensed combined interim statement of loss. Costs incurred on the loan financings have been added to the carrying amount of the secured loans.

Identifiable Assets and Liabilities Assumed

The following table summarizes the assets acquired and liabilities assumed at the date of acquisition:

	Fair Value
Assets Acquired	
Cash	\$ 11,624
Accounts receivable	521,436
Prepaid and deposits	46,170
Other receivables	112,688
Property and equipment (Note 5)	78,794
Intangible assets (Note 6)	189,240
Software license inventory (Note 7)	258,477
	<u>1,218,429</u>
Liabilities Assumed	
Bank indebtedness	(360,320)
Accounts payable and accrued liabilities	(348,803)
Deferred revenues	(410,194)
Notes payable	(1,038,668)
Finance lease obligations	(54,634)
Convertible debentures	(300,397)
Preferred share liability	(453,719)
	<u>(2,966,735)</u>
Total identifiable net assets acquired	\$ (1,748,306)

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4. ACQUISITION OF HEALTHSPACE BY BRITANNICA (continued)

Identifiable Assets and Liabilities Assumed (continued)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Property and equipment	<i>Market comparison technique and cost technique:</i> The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	<i>Relief-from-royalty method and multi-period excess earnings method:</i> The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the unpatented technology that has been developed. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships and contracts.
Software license inventory	<i>Market comparison technique:</i> As the licenses are indefinite life intangible assets, the fair value is determined based on the estimated cost to re-purchase the software licenses at the current market rate.

Goodwill

Goodwill, representing the sales and growth potential of Healthspace 2009, arising from the acquisition has been recognized as follows:

Consideration transferred	\$	(540,489)
Fair value of identifiable net assets acquired		(1,748,306)
Effect of movement in exchange rates		80,556
Goodwill, July 31, 2014		2,208,239
Effect of movement in exchange rates		(372,489)
Goodwill, July 31, 2015	\$	1,835,750
Effect of movement in exchange rates		3,367
Goodwill, October 31, 2015	\$	1,839,117

None of the goodwill recognized is expected to be deductible for tax purposes.

HEALTHSPACE DATA SYSTEMS LTD.**Notes to the Condensed Combined Interim Financial Statements**

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5. PROPERTY AND EQUIPMENT

	Computer Hardware (\$)	Furniture and Equipment (\$)	Leasehold Improvements (\$)	Total (\$)
COST				
Balance, July 31, 2014	78,356	4,229	590	83,175
Additions	2,706	-	-	2,706
Effect of movement in exchange rates	(11,316)	-	(94)	(11,410)
Balance, July 31, 2015	69,746	4,229	496	74,471
Additions	2,227	-	-	2,227
Effect of movement in exchange rates	82	-	-	82
Balance, October 31, 2015	72,055	4,229	496	76,780
ACCUMULATED AMORTIZATION				
Balance, July 31, 2014	14,381	621	361	15,363
Amortization	15,436	695	218	16,349
Effect of movement in exchange rates	(3,042)	-	(83)	(3,125)
Balance, July 31, 2015	26,775	1,316	496	28,587
Amortization	3,183	146	-	3,329
Effect of movement in exchange rates	32	-	-	32
Balance, October 31, 2015	29,990	1,461	496	31,947
NET BOOK VALUE				
Balance, July 31, 2015	42,971	2,913	-	45,884
Balance, October 31, 2015	42,065	2,768	-	44,833

HEALTHSPACE DATA SYSTEMS LTD.

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6. INTANGIBLE ASSETS

	Unpatented technology	Customer relationships and contracts	Inspection application	Total
	(\$)	(\$)	(\$)	(\$)
COST				
Balance, August 1, 2014	145,792	36,787	-	182,579
Additions	-	-	456,434	456,434
Effect of movements in exchange rates	(24,592)	(6,205)	(41,227)	(72,024)
Balance, July 31, 2015	121,200	30,582	415,207	566,989
Additions	-	-	45,000	45,000
Effect of movements in exchange rates	222	56	961	1,239
Balance, October 31, 2015	121,422	30,638	461,168	613,228
ACCUMULATED AMORTIZATION AND IMPAIRMENT				
Balance, August 1, 2014	16,776	2,540	-	19,316
Amortization	22,206	3,362	-	25,568
Effect of movements in exchange rates	(4,836)	(732)	-	(5,568)
Balance, July 31, 2015	34,146	5,170	-	39,316
Amortization	5,026	761	-	5,787
Effect of movements in exchange rates	96	14	-	110
Balance, October 31, 2015	39,268	5,946	-	45,213
NET BOOK VALUE				
Balance, July 31, 2015	87,054	25,412	415,207	527,673
Balance, October 31, 2015	82,154	24,692	461,168	568,014

The amortization of unpatented technology and customer relationships and contracts is included in "Amortization" in the condensed combined interim statement of loss.

6 (a) Inspection application

On December 1, 2014, the Company 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 expected future consideration for this acquisition is:

Remaining cash to be paid monthly in fiscal 2016	\$	76,500
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 three months ended October 31, 2015 the Company paid the following per the asset purchase agreement:

- \$25,000 as an 'Earn-Out Accelerator' towards the royalty on future sales;
- \$20,000 paid as a performance milestone.

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7. SOFTWARE LICENSE INVENTORY

COST	Licenses (\$)
Balance, August 1, 2014	348,905
Effect of movements in exchange rates	(58,854)
Balance, July 31, 2015	290,051
Effect of movements in exchange rates	532
Balance, October 31, 2015	290,583
ACCUMULATED AMORTIZATION AND IMPAIRMENT	
Balance, August 1, 2014 and July 31, 2015	-
Balance, October 31, 2015	-
NET BOOK VALUE	
Balance, August 1, 2014 and July 31, 2015	290,051
Balance, October 31, 2015	290,583

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 on December 31, 2015, at which time it will be renewed.

8. DEFERRED REVENUE

	October 31, 2015	July 31, 2015
Wisconsin Department of Health	\$ 198,047	\$ 231,728
Ohio Department of Health	184,547	-
Health Canada	68,834	85,799
Fraser Health Authority	48,383	77,525
Northern Health Authority	19,110	30,620
Health Department of Northwest Michigan	-	16,185
County of Erie, Department of Health	-	9,537
Other	69,609	98,342
Total	\$ 588,528	\$ 549,736

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9. NOTES PAYABLE

	October 31, 2015	July 31, 2015
Barrega Enterprises Inc. - Note - 9 (a)	\$ -	\$ -
Fred Green - Note - 9 (b)(i)	7,648	7,634
Fred Green - Note - 9 (b)(ii)	92,954	92,784
Fred Green - Note - 9 (b)(iii)	122,368	122,144
Tech Solution - Note - 9 (c)	19,120	19,085
Irene McKerlich - Note - 9 (d)	11,472	11,451
Bill Lawson - Note 9 (e)	19,667	19,631
R.C. Morris & Company Special Opportunities Debt Fund I LP - Note - 9 (f)	63,514	33,342
R.C. Morris & Company Special Opportunities Debt Fund II LP - Note - 9 (g)	469,300	334,836
Other	2,272	2,267
Total	\$ 808,315	\$ 643,174

9 (a) Demand Loan from Barrega Enterprises Inc.

During the year ended July 31, 2012, the Company restructured a loan from Barrega Enterprises Inc. ("Barrega"), whereby a General Security Agreement was granted pursuant to a new loan agreement, crystallizing various prior advances, repayments and interest accruals from notes issued in 2009, 2010 and 2011. According to the loan agreement, the note is payable on demand by Barrega and bearing interest at prime plus 1% from June 30, 2011 until the date of repayment.

During the year ended July 31, 2014, the Company repaid CDN \$70,000 on the loan. On November 23, 2013, the Company restructured the loan, resulting in a one-time repayment of CDN \$300,000 and the issuance of a new promissory note in the amount of \$275,100 which bears interest at prime plus 1% until the date of repayment and is payable on demand by Barrega. The net gain on the restructuring of the loan of \$153,473 has been recognized in "Gain on settlement of liabilities" in the condensed combined interim statement of loss in the year ended July 31, 2014.

The loan was not assumed on NST's November 5, 2014 acquisition of Healthspace 2009 (Note 1).

9 (b) Advances from Fred Green

(i) This amount does not bear any interest and is due on demand.

(ii) Beginning June 2005 and ending July 2014, the Company accumulated amounts payable to Fred Green related to its office space in Hope, British Columbia. This note payable does not bear any interest and is due on demand.

(iii) This note payable to Fred Green represents a General Investment Certificate ("GIC") advanced by Fred Green in April 2008 to assist the Company in securing a line of credit. The GIC was subsequently used by the Company to settle its line of credit. This note payable does not bear any interest and is due on demand.

9 (c) Tech Solutions

The note payable to Tech Solutions does not bear any interest and is due on demand.

9 (d) Irene McKerlich

This note payable bears interest at prime and is due on demand.

9 (e) Bill Lawson

In 2009, one of the Company's debts was settled by Bill Lawson on behalf of the Company. This note payable to Bill Lawson does not bear any interest and is due on demand.

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9. NOTES PAYABLE (continued)

9 (f) R.C. Morris & Company Special Opportunities Debt Fund LP

These promissory notes accrue daily interest at 0.055%, and are due on demand.

9 (g) R.C. Morris & Company Special Opportunities Debt Fund II LP

These promissory notes accrue daily interest at 0.055%, and are due on demand.

10. FINANCE LEASE OBLIGATIONS

The Company has leased certain computer hardware and software licenses under a number of finance leases. At October 31, 2015, the net carrying amount of leased computer hardware included in property and equipment is \$12,833 (July 31, 2015 - \$17,719) and in prepaid and deposits is \$18,115 (July 31, 2015 - \$46,335).

Lease terms range from one to three years. Interest rates underlying all obligations under capital leases are fixed at rates ranging from 15% to 67%.

	October 31, 2015		July 31, 2015
CDW – 2653144N	\$ 1,292	\$	1,537
CDW – 2624146N	411		508
Gould Leasing - 08876	-		3,867
Gould Leasing	29,273		56,457
	30,976		62,369
Less: Current portion	(30,777)		(61,881)
	\$ 199	\$	488

Minimum lease payments related to the obligations under capital lease are as follows:

2015	\$	32,422
2016		203
		32,624
Less: Imputed interest		(1,648)
Less: Current portion		(30,777)
	\$	199

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11. CONVERTIBLE DEBENTURES

	October 31, 2015	July 31, 2015
AMM Electrical Services Ltd.	\$ 11,039	\$ 18,229
Dan M. Sudeyko Law Corp.	11,039	18,229
Kelly Greene	22,078	36,458
Alex Ritchie	11,039	18,229
Solvi Fjortoft	22,078	36,458
Magnus Fjortoft	22,078	36,458
Gurpreet Singh Jaggi	88,311	145,832
Arlene Webster	18,142	29,959
Andrea Stiller	4,635	7,652
	210,438	347,504
Less: Current portion	(174,579)	(262,720)
	\$ 35,859	\$ 84,784

On July 31, 2009, the Company issued convertible debentures to replace previously outstanding debentures in Joule Microsystems Canada Inc. and Healthspace Integrated Solutions Ltd. The convertible debentures have the following terms:

- Within 30 days following the date of issuance, the debenture holder may convert the debenture into pre-amalgamation Class D Convertible Preferred Shares. The pre-amalgamation Class D Convertible Preferred Shares are convertible into pre-amalgamation Class A voting common shares and one pre-amalgamation Class A voting common share purchase warrant exercisable at CDN \$0.175 per share for 30 days from the grant date of the warrant.
- At any time, the debenture holder may convert all or a portion of the outstanding principal into pre-amalgamation Class A voting common shares.
- The debentures bear interest at one pre-amalgamation Class C Preferred Share for every CDN \$1.00 of principal. The pre-amalgamation Class C Preferred Share is redeemable by the Company at any time at a price of CDN \$1.00 or retractable by the holder at CDN \$0.30 for the first 30 months, increasing by CDN \$0.10 for each 12 month period thereafter.
- On July 31, 2014, the Company exercised its option to defer the maturity of the convertible debentures to July 31, 2017. The Company is required to repay the accrued and unpaid principal and interest at July 31, 2014 in three equal installments on July 31, 2015, 2016 and 2017. The balance outstanding accrues interest at the rate of 7% per annum.

The payment of principal and accrued interest due on July 31, 2015 was paid on August 1, 2015. 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.

12. SECURED LOANS

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 (Note 14).

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 (Note 1).

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, certain secured loans, with an outstanding principal balance of CDN \$709,918 and accrued and unpaid interest of CDN \$24,606, were repaid in full.

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13. SHARE CAPITAL

Common Shares – Authorized

Unlimited number of Class A Common Voting Shares without 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 (Note 13). 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 (Note 1), 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 (Note 20), 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.

Preferred Shares

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.

Financings (Note 20)

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, convertible into common shares of the Company, for aggregate proceeds of CDN \$3,013,500. As at October 31, 2015, the Company had received the full \$3,013,500 in escrow. The funds were released to the Company on receipt of its prospectus filed with the British Columbia Securities Commission on November 5, 2015. The escrowed proceeds have been classified as 'Restricted cash' on the condensed combined interim statement of financial position as at October 31, 2015.

14. RELATED PARTY TRANSACTIONS

Transactions with Directors and Management

As at October 31, 2015, amounts owing to companies controlled by directors included \$96,543 (July 31, 2015 - \$190,792) in accounts payable and accrued liabilities.

For the three months ended October 31, 2015, \$119,230 (Three months ended October 31, 2014 - \$13,200) of consulting and accounting fees were paid to companies controlled by directors.

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 \$31,637 for the three months ended October 31, 2015 (Three months ended October 31, 2014 - \$24,004).

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14. RELATED PARTY TRANSACTIONS (continued)

Transactions with Directors and Management (continued)

Transactions with Lenders

For the three months ended October 31, 2015, \$141,448 (Three months ended October 31, 2014 - \$88,627) was advanced from funds controlled by a director and an officer of the Company. During the three months ended October 31, 2015, \$75,074 (Three months ended October 31, 2014 - \$Nil) of interest was paid or accrued on loans advanced by the same funds and as at October 31, 2015, amounts owing to those funds for accrued and unpaid interest included \$29,413 (July 31, 2015 - \$12,978).

15. COMMITMENTS

At October 31, 2015, the Company has lease commitments related to its purchase of computer hardware and maintenance of software licenses (Note 11).

The Company has entered into operating lease agreements for the rental of premises. The minimum future annual payments under the leases are as follows:

Years ended July 31,	
2016	\$ 39,244
2017	\$ 54,418
2018	\$ 56,511
2019	\$ 58,604

16. LOSS PER SHARE

The Company's financial instruments which could potentially dilute loss per share consist of the convertible debentures and common share purchase warrants. The Company's convertible debentures and common share purchase warrants are antidilutive for the three months ended October 31, 2015 and 2014. Therefore, the Company's diluted loss per share is equal to its basic loss per share.

17. OPERATING SEGMENTS

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

	Canada	United States of America	Total
For the three months ended October 31, 2015			
External subscription revenues	\$ 113,449	\$ 346,249	\$ 459,745
External contract and implementation revenues	-	74,340	74,340
As at October 31, 2015			
<i>Non-current assets</i>			
Property and equipment	35,902	8,931	44,833
Intangible asset	568,014	-	568,014
Software license inventory	290,583	-	290,583
Goodwill	\$ 1,839,117	\$ -	\$ 1,839,117
For the three months ended October 31, 2014			
External subscription revenues	\$ 141,117	\$ 322,985	\$ 464,103
External contract and implementation revenues	-	21,087	21,087
As at July 31, 2015			
<i>Non-current assets</i>			
Property and equipment	36,243	9,641	45,884
Intangible assets	527,673	-	527,673
Software license inventory	290,051	-	290,051
Goodwill	\$ 1,835,750	\$ -	\$ 1,835,750

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17. OPERATING SEGMENTS (continued)

For the three months ended October 31, 2015, revenues from three major customers in the United States of America represented approximately \$278,196 of the Company's total revenues (Note 19, credit risk).

18. MANAGEMENT OF CAPITAL

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

The Company considers its capital for this purpose to be its shareholders' equity (deficiency).

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

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

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

19. MANAGEMENT OF FINANCIAL RISK

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 October 31, 2015 is \$388,589 (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 October 31, 2015, \$96,250 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 October 31, 2015, the Company's three major customers (Note 19) accounted for \$67,600 of accounts receivable (July 31, 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 (Note 9 (a) and (d)). 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.

HEALTHSPACE DATA SYSTEMS LTD.

Notes to the Condensed Combined Interim Financial Statements

For the three months ended October 31, 2015

Unaudited (Expressed in US dollars)

19. MANAGEMENT OF FINANCIAL RISK (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 18. Accounts payable and accrued liabilities, notes payable, and other liabilities are all due within the current operating period. Finance lease obligations are due based on the terms disclosed in Note 10. Convertible debentures are due based on the terms disclosed in Note 11. Secured loans are due based on the terms disclosed in Note 12.

Other Market Risk

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

20. EVENTS AFTER THE REPORTING PERIOD

Subsequent events not otherwise disclosed in these condensed combined interim financial statements are:

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.

On November 25, 2015 the Company approved the adoption of a Share Option Plan ("The Plan"). Under the terms of the Plan a maximum of 10% of the issued and outstanding common shares of the Company at the time an option is granted, less common shares reserved for the employee compensation, will be reserved for options to be granted at the discretion of the Company's board of directors. The Company intends to reserve shares for an initial grant of share options representing 2,910,000 shares, with an exercise price of \$0.20, for distribution to eligible persons.

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.