MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Year ended December 31, 2017

General

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of May 16, 2018, and it presents an analysis of the consolidated financial position of H-Source Holdings Ltd. (the "Company") for the year ended December 31, 2017. The following information should be read in conjunction with the audited financial statements of the Corporation for the year ended December 31, 2016, including the notes contained therein. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Unless otherwise indicated, references to $ or "dollars' are to US dollars and references to "C$" are to Canadian dollars.

Forward-looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect our expectations and assumptions regarding our growth, results of operations, performance, and business prospects and opportunities. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. In some cases, forward-looking statements can be identified by terminology such as "may", "would", "could", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. The forward-looking statements in this MD&A include, among others, statements regarding our future operating results, economic performance, and product development efforts, and statements in respect of:

- our expected future losses and accumulated deficit levels;
- our projected financial position and estimated cash burn rate;
- our requirement for, and our ability to obtain, future funding on favorable terms or at all;
- our potential sources of funding;
- our expectations regarding our capacity to develop our technology;
- our assessment of the benefits of our technology to our customers;
- our expectations regarding the progress, and the successful and timely completion, of the various stages of the regulatory clearance process;
- our plans to market our technology;
- our expectations regarding the acceptance of our technology by the market;
- our expectations with respect to future corporate alliances and licensing transactions with third parties, and the receipt and timing of any payments to be made by us to us in respect of such arrangements; and
- our strategy with respect to the protection of our intellectual property.

A number of factors could cause actual events, performance or results, including those in respect of the foregoing items, to differ materially from the events, performance, and results discussed in the forward-looking statements. Factors that could cause actual events, performance or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the effect of continuing operating losses on our ability to obtain, on satisfactory terms, or at all, the capital required to maintain our business as a going concern;
- the ability to obtain sufficient and suitable financing to support operations, development and commercialization of technology;
- the risks associated with the development of our technology;
- the risks associated with the increase in operating costs from additional development costs and increased staff;
- the regulatory approval process;
- our ability to successfully compete in our targeted markets;
- our ability to adequately protect proprietary information and technology from competitors;
- our ability to attract and retain key personnel and key collaborators;
- the potential for product liability claims; and
- the substantial risks involved in early-stage technology development companies.

Although the forward-looking statements contained in this MD&A are based on what we consider to be reasonable assumptions based on information currently available to us, there can be no assurance that actual events, performance or results will be consistent with these forward-looking statements, and our assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this MD&A.

Forward-looking statements made in this MD&A are made as of the date of the original document and have not been updated by us except as expressly provided for in this MD&A.

Business Overview

H-Source is a technology company operating within the healthcare industry. H-Source has developed a proprietary hospital-to-hospital transaction platform that provides a private, secure and trusted marketplace for member hospitals to buy/sell/transfer excess inventory supplies and capital equipment with each other.

Significant Events and Milestones

On March 3, 2015, the Company entered into a non-binding letter of intent with H-Source, Inc. ("HSI") whereby the Company would acquire all of the issued and outstanding common shares in the capital of H-Source, Inc. in connection with a proposed business combination (the "Transaction"). This letter of intent was replaced and superseded by the Merger Agreement dated July 21, 2015.

On August 31, 2015, the Company acquired a 100% interest in H-Source, Inc. pursuant to and on the terms and subject to the conditions set out in the Merger Agreement dated July 21, 2015 in consideration for 20,000,000 common shares of the Company. Pursuant to the Transaction, the Company issued an aggregate of 2,774,149 common shares to the H-Source, Inc.'s stockholders and to satisfy the conversion of the H-Source, Inc.'s bridge loan. The Company paid 1,000,000 shares as finder's fee in connection with the completion of the Transaction.

As a result of the Transaction, HSI is now the wholly-owned subsidiary of the Company and the Company's common shares is now trading on TSXV under the stock symbol "HSI".

HSI was incorporated under the laws of the State of Washington, USA on May 27, 2014 and acquired all of the assets and assumed all of the liabilities of H-Source LLC, effective June 1, 2014. This transaction was accounted for as an acquisition of an entity under common control and as such the transaction was recorded at historical cost. Upon acquisition H-Source LLC was dissolved. HSI has developed a digital platform and network to operate in the healthcare industry and offers a private, hospital-to-hospital marketplace that allows members to buy/sell/transfer supplies and capital equipment with each other. Members can conduct secure transactions within Integrated Delivery Networks (IDNs), Group Purchasing

Organizations (GPOs), the complete H-Source network, or customize their own group of hospitals using our built-in filters and reporting. This network is designed specifically to reduce health care costs and medical products waste.

In connection with the Transaction, the Company completed a non-brokered private placement financing (the "Concurrent Financing") of an aggregate of 17,587,333 subscription receipts (each, a "Subscription Receipt") at a price of $0.11 (C$0.15) per Subscription Receipt for aggregate gross proceeds of $1,993,348 (C$2,638,100). The Concurrent Financing closed on May 14, 2015. Upon closing of the Transaction, each Subscription Receipt was automatically exercised into one common share of the Company, for no additional consideration.

On April 18, 2016, the Company completed a non-brokered private placement of 18,753,141 common shares priced C$0.15 per common share for net proceeds of $2,177,253.

On March 3, 2017, the Company completed its brokered private placement of common shares (the "Offered Shares"), at a price of C$0.18 per Offered Share (the "Issue Price") for gross proceeds to the Company of $2,410,400 (the "Offering"). A total of 17,890,000 Offered Shares were sold pursuant to the Offering. The Offering was conducted by Mackie Research Capital Corporation (the "Agent"). The Company paid the Agent a cash commission of $247,908 and issued 1,304,141 Agent compensation options (the "Compensation Options"). Each Compensation Option is exercisable into one common share of the Company at the Issue Price for a period of 18 months from the closing of the Offering. The fair value of the Compensation Options is $150,107.

On July 17, 2017, the Company entered into a joint promotion and services agreement with United Iroquois Shared Services, Inc., ("**UISS**"), the for-profit division of Iroquois Healthcare. UISS consists of over 500 members, including hospitals, surgery centers, nursing homes, physician groups, Health Maintenance Organizations (HMOs), and other health care providers. The H-Source platform will enable association members a direct cloud based marketplace to buy and sell surplus inventory and supplies with each other, further enabling members to collaborate to recover cost, reduce spend, and eliminate supply chain waste. Additionally, UISS members have access to the aggregate H-Source marketplace of member facilities.

On August 9, 2017, H-Source, Inc. incorporated a wholly owned subsidiary, H-Source Distribution-US, Inc. ("H-Source - Distribution"), to enable the Company to purchase inventory and sell assets from hospital liquidations. All of the assets are sold thru the platform to member facilities.

On October 26, 2017, supply chain leader, Victor Garcia, joined the Company's sales and consulting team as the Director of Account Management. Mr. Garcia comes to H-Source from Baylor University Medical Center in Dallas, Texas where for the past four years he has been the perioperative hospital supply chain manager.

For the year ended December 31, 2017, H-Source started recognizing revenue. The transaction volume for the company is growing each quarter for the last three quarters. The average number of transactions has steadily increased month over month thru December 31, 2017. We are adding inventory to our platform focusing on items from sales history that turn more quickly – with this strategic initiative in place the inventory has grown from $400,000 at the start of the year to over $1,600,000 currently. The pipeline is consistently growing for the past 6 months. H-Source is well positioned for continued growth in 2018 with the following initiatives:

1. Sellable inventory is increasing
2. Improved Platform inter-connectivity
3. Active users are increasing monthly for the past 6 months
4. Transaction volume is increasing
5. Beginning to sell Original Equipment Manufacturer ("OEM") – new and refurbished equipment thru the Platform
6. Sourcing capital equipment

7. Enhanced services – H-Source provides the labor for managing and listing products for the medical facility and charges a higher percentage of sales revenue for the additional services

8. We expect to license our software to select medical facility groups in 2018
9. New industry relationships in 2018

Currently, H-Source pursues its growth strategy by:

1. Aggregating hospitals and hospital systems on the H-Source platform, driving network effects with each new facility, listing, or purchase
2. Enhancing the H-Source software platform through new functionality for pharmacy, Food and Drug Administration ("FDA") recalls, Single Warehouse, member communication, reporting, and system optimization for scalability to thousands of concurrent users
3. Developing strategic partnerships with targeted healthcare service providers, creating a "win – win" situation for both H-Source and the service providers utilizing the H-Source platform to realize cost savings and recover value from surplus inventory
4. Designing and implementing Single Warehouse applications of the H-Source platform within Integrated Delivery Networks ("IDN")
5. Joint Marketing relationships with multiple state hospital associations and metropolitan hospital councils and associations
6. Hiring and training additional Customer Care Representatives ("CCR") with hospital supply chain and pharmaceutical experience
7. Hiring additional sales professionals and Independent Sales Representatives ("ISR") in targeted markets
8. Implementing an account management program within Sales
9. Enhancing the H-Source Platform inter-connectivity
10. Having joint projects thru various partnerships with 3rd-party and capital equipment resellers, including hospital liquidations
11. Distributing products from third parties or Original Equipment Manufacturers ("OEM") thru the platform.
12. H-Source Distribution, will handle liquidation products and product sourcing thru the H-Source Software Platform
13. Data visualization embedded in our software platform
14. Self service reporting available at extra cost

Overall Performance

The statement of financial position as of December 31, 2017 indicates a cash balance of $56,426 (2016 – $78,920) and total current assets of $371,983 (2016 – $465,921).

Current liabilities at December 31, 2017 total $242,475 (2016 - $149,614). Shareholders' equity of $605,515 (2016 – $966,969) is comprised of share capital of $7,924,721 (2016 - $5,782,979), reserves of $570,305 (2016 - $467,039), accumulative other comprehensive income $23,527 (2016 - $84,739), and accumulated deficit of $7,865,984 (2016 - $5,198,310).

As at December 31, 2017, the working capital is $129,508 (2016 – $316,307).

Results of Operations and Additional Disclosure for the Company without Significant Revenue

The Company is currently starting to transition from pre-operation to operational stage and recorded $309,244 as revenue this year, which consisted of net commission sales of $29,759 and sales of $279,485. The expenses of the Company for the year ended December 31, 2017 consisted mainly of salaries and benefits of $1,320,949, advertising and promotion of $101,869, general and administration of $746,993, amortization of $184,219, and consulting fees of $400,672.

Salaries and benefits incurred for the year ended December 31, 2017 amounted to $1,320,949, which included employees and management's salaries and healthcare benefits.

Consulting fees for the year ended December 31, 2017 amounted to $400,672 consist of fees paid to various consultants and advisors of the Company for financial management, business development, and marketing services

Advertising and promotion for the year ended December 31, 2017 amounted to $101,869, which is related to sponsorship, creative and sales strategies, conferences and trade shows and development of sales plan.

Amortization for the year ended December 31, 2017 amounted to $184,219. Since the Company started generating revenue in FY2017, the Company started amortizing software development costs and patents.

General and administration for the year ended December 31, 2017 amounted to $746,993, which mainly included travel, software, transfer agent, rent, and general office expenses.

COMPARISON OF RESULTS OF OPERATIONS

During the year ended December 31, 2017, the Company reported revenue of $309,244 (2016 – nil), which consisted of net commission sales of $29,759 and sales of $279,485, and a net loss of $ 2,667,674 ($0.03 basic and diluted loss per share) and a net comprehensive loss of $2,606,462 compared to a net loss of $2,544,809 and comprehensive loss of $2,614,742 ($0.04 basic and diluted loss per share) for the year end December 31, 2016. The decrease losses during the year were attributable to revenue of $309,244 recognized during the year, decreased consulting fees, professional fees and share-based payment due to no stock options granted during the year.

During the year ended December 31, 2017, the Company recorded operating expenses of $2,813,241 (2016 - $2,446,236). The operating expenses are relatively the same as the prior year. Consulting fees, salaries and benefits, amortization, and general and administration are the major operating expense during the year. Professional fees of $58,539 (2016 - $102,278) decreased. Consulting fees of $400,672 (2016 - $532,450) decreased due to the fact that the Company has terminated a consulting agreement with a consultant last year. Salaries and benefits of $1,320,949 (2016 - $977,107) increased during the year due to increased employees. Share-based payments of $nil (2016 - $221,690) decreased due to no stock options granted during the year. Amortization of $184,219 (2016 – nil) increased due to the fact that the Company started recognizing revenue in FY2017 and amortization of software development costs and patents began.

General and administration of $746,993 (2016 – $396,536) was mainly associated with expensing of software development cost versus capitalizing it in previous years.

Operating expenses were offset by interest income of $10,869 (2016 – $6,525), interest and other finance costs of $1,519 (2016 - $1,004), which was expenses incurred for financing.

The net comprehensive loss of $2,606,462 (2016 - $2,614,742) was affected by the foreign exchange translation on the transactions recorded in H-Source Holdings Ltd., which totalled of $61,212 (2016 - $69,933).

As the Company's current operations just started to generate revenue, it will continue to rely on equity and debt financing in order to meet its ongoing day-to-day operating requirements. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time, or, if available, that it can be obtained on terms satisfactory to the Company.

SELECTED ANNUAL INFORMATION

The following table sets out selected financial information derived from the Company's audited financial statements for the three most recently completed financial years. These financial data are prepared in accordance with IFRS.

	December 31, 2017	December 31, 2016	December 31, 2015
	$	$	$
OPERATIONS			
Commission sales (net)	29,759	-	-
Sales	279,485	-	-
Net Loss	2,667,674	2,544,809	2,423,840
Other income	10,869	6,525	7,809
Basic and diluted loss per share	0.03	0.04	0.09
BALANCE SHEET			
Working capital	129,508	316,307	532,485
Total assets	847,990	1,116,583	1,044,479
Total non-current liabilities	-	-	-
Cash dividends declared	-	-	-

During the year ended December 31, 2017 the Company incurred a net loss of $2,667,674 ($0.03 basic and diluted loss per share) compared to a net loss of $2,544,809 ($0.04 basic and diluted loss per share) for the year ended December 31, 2016. The net loss was due to the expenses relating to increased salaries and benefits, software expense, and amortization. Additional explanations for the fluctuation in net loss are summarized below:

Amortization
For the 2017 fiscal year, $184,219 was recorded as amortization expense compared to nil in FY2016. During fiscal 2017, the Company started generating revenue in FY2017, hence it started amortizing software development costs and patents.

Consulting Fees
For the 2017 fiscal year, $400,672 in consulting fees was recorded compared to $532,450 consulting fees in fiscal year 2016. During fiscal 2017, the Company has terminated a consulting agreement with a consultant.

Salaries and Benefits
For the 2017 fiscal year, $1,320,949 was incurred for salaries and benefits. An increase of $343,842 from prior year was due to increase in employees and benefits.

Share-based Payments
For the 2017 fiscal year, there was no share-based payment recorded since there were no stock options granted during the year. In fiscal year 2016, $221,690 was recorded in share-based payments and it was related to stock options granted to directors, employees and consultants during the year.

Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company. This information is derived from unaudited quarterly financial statements prepared by management. These financial data are prepared in accordance with IFRS.

	Qtr. 4 December 31, 2017 $	Qtr. 3 September 30, 2017 $	Qtr. 2 June 30, 2017 $	Qtr. 1 March 31, 2017 $	Qtr. 4 December 31, 2016 $	Qtr. 3 September 30, 2016 $	Qtr. 2 June 30, 2016 $	Qtr. 1 March 31, 2016 $
Revenue	179,096	128,408	7,439	Nil	Nil	Nil	Nil	Nil
Net Loss	970,478	443,351	565,517	504,105	467,107	556,868	965,362	555,472
Basic and diluted loss per share	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Total assets	847,990	1,854,940	2,262,995	2,763,165	1,116,583	1,409,879	1,557,056	1,094,614
Working Capital	129,508	894,282	1,309,208	1,938,133	316,307	897,222	1,440,947	511,485

Three Months Ended December 31, 2017

During the three months ended December 31, 2017, the Company reported revenue of $179,096 (2016 – Nil). A net loss of $970,478 (2016 – $467,107) was recorded. The net loss overall increased during the year compared to the prior year period because of the increased software expenses, amortization, and salaries and benefits. Consulting fees of $130,091 (2016 – $55,115) is related to a consultants engaged by the Company for business development, financial services and marketing. Salaries and benefits of $550,557 (2016 – $175,134) increased mainly due to the increase in employees. Amortization of $184,219 (2016 – nil) increased due to the fact this is the first year the Company is amortizing software development cost and patent.

Liquidity and Capital Resources

For the period ended December 31, 2017, the Company generated $2,256,393 from financing activities.

At December 31, 2017, the Company had a working capital of $129,508 having cash of $56,426 and accounts payable and accrued liabilities of $242,475.

A summary of the Company's contractual obligations at December 31, 2017 is detailed in the table below.

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Accounts Payable, Accrued and other Liabilities	$242,475	$242,475	N/A	N/A	N/A
Total	$242,475	$242,475	N/A	N/A	N/A

License Agreement

There are no license agreements

Off-Balance Sheet Arrangements

As of the date of this management discussion and analysis, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Transactions with Related Parties

Related party transactions are as follows:

Key management (officers and directors) personnel compensation for the period ended December 31, 2017 was $300,000 (2016 - $409,965). Included in share-based payments are stock options to directors of the Company valued at $nil (2016 – $34,965)

In the year ended December 31, 2017. $nil (2016 – $67,500) was capitalized to deferred software development costs for the CEO and Director and President and Director.

Recent Accounting Pronouncements

The following is a summary of recent accounting pronouncements the Company will be required to adopt in future years. The Company continues to evaluate the impact of these standards on its financial statements.

IFRS 9 – Financial Instruments
IFRS 9 replaces the current IAS39 - Financial Instruments Recognition and Measurement. The standard intends to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")
In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. As the Company is currently evaluating the impact the final standard is expected to have on its financial statements, the Company does not expect to have any significant impact on its financial statements.

IFRS 16 – Leases ("IFRS 16")
IFRS 16 replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. As the Company does not have any leases, this standard is not expected to impact the financial statements.

Financial Instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

The principal financial instruments used by the Company, from which financial instrument risk arises, are cash, short-term investments, accounts payable and other accrued liabilities and fixed rate notes payable which is carried at amortized cost.

	December 31, 2017	December 31, 2016
Financial Assets		
Cash	$ 56,426	$ 78,920
Accounts receivable	41,275	9,029
Short-term investments	94,058	350,056
Total financial assets	$ 191,759	$ 438,005
Financial Liabilities		
Total accounts payable	$ 242,475	$ 149,614
Total financial liabilities	$ 242,475	$ 149,614

Financial instruments not measured at fair value include cash, accounts payable and other accrued liabilities. Due to their short-term nature, the carrying value of cash and accounts payable and other accrued liabilities approximates their fair value.

There were no transfers between levels during the periods presented.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk
Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's primary exposure to credit risk is on its cash accounts. Cash accounts are held with a major bank in the United States. The Company has deposited the cash with its bank from which management believes the risk of loss is remote.

b) 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's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when they become due. The Company is exposed to liquidity risk as it does not have sufficient cash to settle its current liabilities, refer to Note 2 and the going concern discussion for further information about the Company's plans to manage liquidity risk.

c) Market risk
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk
The Company has cash and cash equivalents balances and interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. All debt bears fixed interest rates.

Foreign currency risk
Currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates. The Company has certain expenditures that are denominated in US dollars and other operating expenses that are in Canadian dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the US dollar.

d) Capital management
The Company considers its cash and share capital as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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 attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. There was no change in the Company's approach to capital management during the period ended December 31, 2017 or the year ended December 31, 2016.

Disclosure of Outstanding Share Data

The Company's issued and outstanding share capital as at the date of this report is as follows:
(1) Authorized: Unlimited common shares without par value.
(2) As at the date of this MD&A, the Company has 105,924,705 common shares, 3,902,500 stock options, and 2,588,515 broker compensation options issued and outstanding.

Additional Disclosure for Junior Issuers

The Company has expensed the following material cost components:

	December 31, 2017	December 31, 2016
Advertising and promotion	$ 101,869	$ 216,175
Amortization	184,219	-
Consulting fees	400,672	532,450
Office	155,826	125,691
Professional fees	58,539	102,278
Salaries and benefits	1,320,949	977,107
Share-based payments	-	221,690
Software expense	354,920	38,782
Transfer agent and regulatory fee	47,275	64,201
Travel	141,757	130,912

Amortization is a non-cash expense that is related to the amortization of software development costs and patent, which started in FY2017.

Consulting fees decreased because in fiscal year 2016, the Company engaged an advisor for business development services until September 30, 2016 and in return issued 1,400,000 common shares valued at $188,561 to the advisors. This amount was a non-cash expense that was included in consulting fees.

The professional fees were related to general corporate matters, preparation of private placement that closed in March 2017, preparation of 2016 tax returns, and audit accrual for fiscal year 2017.

The salaries and benefits include management and employees; salaries and benefits.

Share-based payment is a non-cash expense that relates to stock options granted to a director, employees and consultants. In fiscal year 2017, there were no share-based payments due to no stock options granted during the year.

SUBSEQUENT EVENTS

On January 4, 2018, the Company completed a brokered private placement of 17,250,000 common shares at a price of C$0.10 per share for gross proceeds of $1,286,850 (C$1,725,000). The Company paid the agent a cash commission of $95,814 and issued 1,284,376 agent compensation options. Each compensation option is exercisable into one common share of the Company at C$0.10 for a period of 18 months from the closing of the offering. The fair value of the options was determined to be $50,812.

On April 16, 2018, the Company entered into a term sheet whereby certain non-arm's length parties (the "Lenders") advanced $178,875 to the Company as a loan (the "Loan"). The Loan bears an interest rate of 3% per month (36% per annum), calculated and payable monthly in arrears. The term of the Loan is 120 days commencing on the date on which the principal amount is advanced to the Company.

On April 16, 2018, the Company entered into a memorandum of understanding with the same Lenders as the Loan whereby the Loan is to be used by the Company to purchase certain assets. If the sales of the assets occurs on or before 60 days after the purchase, 15% of the net proceeds shall be paid to the Lenders and the Company will retain the remainder. If the sales of the assets occurs 60 days after, 50% of the net proceeds shall be paid to the Lenders and the Company will retain the remainder.

RISK FACTORS

Risks Related to our business.

Limited Operating History:

The Company is a development stage technology company, which has a limited operating history and has no revenues derived from operations. Significant expenditures have been focused on the development, testing and launch of its hospital-to-hospital marketplace platform. The Company's near-term focus has been in actively attracting new development capital and attracting new member hospitals to utilize the Company's inventory-trading platform. As a result of these and other factors, the Company may not be able to achieve, sustain or increase profitability on an ongoing basis. The Company is subject to many risks common to development stage enterprises, including under capitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenues, technology, and market acceptance issues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the Company's early stage of operations.

Problems Resulting from Rapid Growth:

The Company will be pursuing, from the outset, a plan to market its platform solutions to hospitals in North America and globally and will require capital in order to meet these growth plans and there can be no assurances that the Company's capital resources will enable the Company to meet these growth needs. The plan will place significant demands upon the Company's management, and resources. Besides attracting and maintaining qualified personnel, employees or contractors, the Company expects to require working capital and other financial resources to meet the needs of its planned growth. No assurance exists that the plans will be successful or that these items will be satisfactorily handled, and this may have material adverse consequence on the business of the Company.

Additional Financing will be Required:

The Company will need additional financing to continue its operations. Financing may not be available to the Company on commercially reasonable terms, if at all, when needed. There is no assurance that the Company will be successful in raising additional capital or that the proceeds of any future financings will be sufficient to meet its future capital needs.
Intellectual Property Rights

The Company could be adversely affected if it does not adequately protect its intellectual property rights. The Company regards its marks, rights, and trade secrets and other intellectual property rights as critical to its success. To protect its investments and the Company's interests in these various intellectual properties, it may rely on a combination of patents, trademark and copyright law, trade secret protection and confidentiality agreements and other contractual arrangements with its employees, clients, strategic partners, acquisition targets and others to protect proprietary rights. There can be no assurance that the steps taken by the Company to protect proprietary rights will be adequate or that third parties will not infringe or misappropriate the Company's copyrights, trademarks and similar proprietary rights, or that the Company will be able to detect unauthorized use and take appropriate steps to enforce rights. In addition, although the Company believes that its proprietary rights do not infringe on the intellectual property rights of others, there can be no assurance that other parties will not assert infringement claims against the Company. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

Risk of System Failures

The Company's success, and in particular its ability to facilitate trades successfully and provide high quality customer service, depends on the efficient and uninterrupted operation of its computer and communications hardware systems. Substantially all of the Company's computer hardware for operating the Company service is located at Suite 132 850 E. Spokane Falls, Blvd. Spokane Washington and at dedicated hosted server facilities globally. These systems and operations are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism and similar events. Despite any precautions taken by, and planned to be taken by the Company, the occurrence of a natural disaster or other unanticipated problems at the Simple Helix facility could result in interruptions in the services provided by the Company. In addition, the failure by Simple Helix – (The global leader in hosting custom e-commerce solutions) to provide the data communications capacity required by the Company, as a result of human error, natural disaster or other operational disruption, could result in interruptions in the Company's service. We have tried to minimize this risk licensing dedicated servers that are replicated in multiple locations globally. Any damage to or failure of the systems of the Company could result in reductions in, or terminations of, the Company service, which could have a material adverse effect on the Company's business, results of operations and financial condition.

In the case of frequent or persistent system failures, the Company's reputation and name brand could be materially adversely affected. Although the Company has implemented certain network security measures, its servers are also vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays, loss of data or the inability to complete customer auctions. In addition, although the Company works to prevent unauthorized access to the Company data, it is impossible to eliminate this risk completely. The occurrence of any and all of these events could have a material adverse effect on the Company business, results of operations and financial condition.

Rapid Technological Change

The business of the Company is subject to rapid technological changes. Failure to keep up with such changes may adversely affect the business of the Company. The Company is subject to the risks of companies operating in the medical and healthcare business.

The market in which the Company competes is characterized by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. These market characteristics are exacerbated by the emerging nature of the Web and the apparent need of companies from a multitude of industries to offer Web-based products and services. Accordingly, the Company's future success will depend on its ability to adapt to rapidly changing technologies, to adapt its services to evolving industry standards and to continually improve the performance, features and reliability of its service in response to competitive service and product offerings and evolving demands of the marketplace. The failure of the Company to adapt to such changes would have a material adverse effect on the Company's business, results of operations and financial condition. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures by The Company to modify or adapt its services or infrastructure, which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's prospects must be considered in light of the risks, expenses, shifts, changes and difficulties frequently encountered with companies whose businesses are conducted on the Internet due to the rapid creation, introduction and adoption of new diagnostic and treatment technologies. As a result, an investment in securities of the Company is highly speculative and is only suitable for investors who recognize the high risks involved and can afford a total loss of investment. Additionally, there can be no assurances that The Company will be able to successfully secure, introduce and adopt new software and integration technologies so as to implement its business strategy or otherwise overcome the risks generally associated with companies whose businesses are conducted on the Internet.

Risks associated with New Services, Features and Functions

The Company plans to expand its operations by developing and promoting new or complementary services, products or transaction formats or expanding the breadth and depth of services. There can be no assurance that the Company would be able to expand its operations in a cost-effective or timely manner or that any such efforts would maintain or increase overall market acceptance. Furthermore, any new business or service launched by the Company that is not favorably received by consumers could damage the Company's reputation and diminish the value of its brand name. Expansion of the Company's operations in this manner would also require significant additional expenses and development, operations and other resources and would strain the Company's management, financial and operational resources. The lack of market acceptance of such services or the Company's inability to generate satisfactory revenues from such expanded services to offset their cost could have a material adverse effect on the Company's business, results of operations and financial condition.

Risks related to Consumer Trends

The Company derives substantially all of its revenues from commissions received upon the successful completion of sale transactions of the Sellers listed products on the H-Source platform.. The Company's future revenues will depend upon continued demand for the types of goods that are listed by users of the Company service. The value of listed items on the Company platform will fluctuate depending on the listing of inventory for sale by its customers, the frequency of transactions and the expiry dates for certain items. These trends will cause significant fluctuations in The Company's operating results from one quarter to the next. Any decline in demand for the goods offered through the Company service as a result of changes in consumer trends could have a material adverse effect on The Company's business, results of operations and financial condition.

Online Commerce Security Risks

A significant barrier to online commerce and communications is the secure transmission of confidential information over public networks. The Company relies on encryption and authentication technology licensed from third parties to provide the security and authentication technology to effect secure transmission of confidential information.. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the technology used by The Company to protect customer transaction data. If any such compromise of The Company's security were to occur, it could have a material adverse effect on The Company's reputation and, therefore, on its business, results of operations and financial condition. Furthermore, a party who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in the Company's operations. The Company may be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches. Concerns over the security of transactions conducted on the Internet and other online services and the privacy of users may also inhibit the growth of the Internet and other online services generally, and the Web in particular, especially as a means of conducting commercial transactions. To the extent that activities of the Company involve the storage and transmission of proprietary information, security breaches could damage the Company's reputation and expose the Company to a risk of loss or litigation and possible liability. The Company's insurance policies carry low coverage limits, which may not be adequate to reimburse the Company for losses caused by security breaches. There can be no assurance that the Company's security measures will prevent security breaches or that failure to prevent such security breaches will not have a material adverse effect on the Company's business, results of operations and financial condition.

Risks associated with Acquisitions

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. The Company currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favorable to the Company, or at all, and such financing, if available, might be dilutive

Dependence on the Web Infrastructure

The success of the Company service will depend in large part upon the development and maintenance of the Web infrastructure, such as a reliable network backbone with the necessary speed, data capacity and security, or timely development of complementary products such as high speed modems, for providing reliable Web access and services. Because global commerce and the online exchange of information are new and evolving, it is difficult to predict with any assurance whether the Web will prove to be a viable commercial marketplace in the long term. The Web has experienced, and is expected to continue to experience, significant growth in the numbers of users and amount of traffic. To the extent that the Web continues to experience increased numbers of users, frequency of use or increased bandwidth requirements of users, there can be no assurance that the Web infrastructure will continue to be able to support the demands placed on it by this continued growth or that the performance or reliability of the Web will not be adversely affected. These outages and delays could adversely affect the level of Web usage and also the level of traffic and the processing of auctions on the Company.

In addition, the Web could lose its viability due to delays in the development or adoption of new standards and protocols to handle increased levels of activity or due to increased governmental regulation. There can be no assurance that the infrastructure or complementary products or services necessary to make the Web a viable commercial marketplace for the long term will be developed or that if they are developed, that the Web will become a viable commercial marketplace for services such as those offered by the Company. If the necessary infrastructure, standard or protocols or complementary products, services or facilities are not developed, or if the Web does not become a viable commercial marketplace, The Company's business, results of operations and financial condition will be materially and adversely affected. Even if the infrastructure, standards or protocols or complementary products, services or facilities are developed and the Web becomes a viable commercial marketplace in the long term, The Company might be required to incur substantial expenditures in order to adapt its service to changing Web technologies, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Risks associated with Information Disseminated through the Company's Service

The law relating to the liability of online services companies for information carried on or disseminated through their services is currently unsettled. It is possible that claims could be made against online services companies under both United States and foreign law for defamation, libel, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through their services. Several private lawsuits seeking to impose such liability upon other online services companies are currently pending. In addition, legislation has been proposed that imposes liability for or prohibits the transmission over the Internet of certain types of information. The imposition upon the Company and other online services providers of potential liability for information carried on or disseminated through their services could require the Company to implement measures to reduce its exposure to such liability, which may require the Company to expend substantial resources and/or to discontinue certain service offerings. In addition, the increased attention focused upon liability issues as a result of these lawsuits and legislative proposals could impact the growth of Internet use. While the Company carries liability insurance, it may not be adequate to fully compensate the Company in the event the Company becomes liable for information carried on or disseminated through its service. Any costs not covered by insurance incurred as a result of such liability or asserted liability could have a material adverse effect on the Company's business, results of operations and financial condition.

Governmental Regulation and Legal Uncertainties

The Company is not currently subject to direct federal, state or local regulation, and laws or regulations applicable to access to or commerce on the Internet, other than regulations applicable to businesses generally. However, due to the increasing popularity and use of the Internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the Internet or other online services covering issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security.

Several states have also proposed legislation that would limit the uses of personal user information gathered online or require online services to establish privacy policies. The Federal Trade Commission has also recently settled a proceeding with one online service regarding the manner in which personal information is collected from users and provided to third parties. Changes to existing laws or the passage of new laws intended to address these issues, including some recently proposed changes, could create uncertainty in the marketplace that could reduce demand for the services of the Company or increase the cost of doing business as a result of litigation costs or increased service delivery costs, or could in some other manner have a material adverse effect on the Company's business, results of operations and financial condition. In addition, because the Company's services are accessible worldwide, and the Company facilitates sales of goods to users worldwide, other jurisdictions may claim that the Company is required to qualify to do business as a foreign corporation in a particular state or foreign country. The Company is qualified to do business in all fifty states in the United States, and failure by the Company to qualify as a foreign corporation in a jurisdiction where it is required to do so could subject the Company to taxes and penalties for the failure to qualify and could result in the inability of the Company to enforce contracts in such jurisdictions. Any such new legislation or regulation, or the application of laws or regulations from jurisdictions whose laws do not currently apply to the Company's business, could have a material adverse effect on the Company's business, results of operations and financial condition.

Risks associated with International Operations

A component of the Company's strategy is to expand internationally. Expansion into the international markets will require management attention and resources. The Company has limited experience in localizing its service, and the Company believes that many of its competitors are also undertaking expansion into foreign markets. There can be no assurance that the Company will be successful in expanding into international markets. In addition to the uncertainty regarding the Company's ability to generate revenues from foreign operations and expand its international presence, there are certain risks inherent in doing business on an international basis, including, among others, regulatory requirements, legal uncertainty regarding liability, tariffs, and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, different accounting practices, problems in collecting accounts receivable, political instability, seasonal reductions in business activity and potentially adverse tax consequences, any of which could adversely affect the success of the Company's international operations. To the extent the Company expands its international operations and has additional portions of its international revenues denominated in foreign currencies, the Company could become subject to increased risks relating to foreign currency exchange rate fluctuations. There can be no assurance that one or more of the factors discussed above will not have a material adverse effect on the Company's future international operations and, consequently, on the Company's business, results of operations and financial condition.

Protection and Enforcement of Intellectual Property Rights

The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company has entered into confidentiality and invention assignment agreements with its employees and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company's technology or to deter independent third-party development of similar technologies.

The Company pursues the registration of its trademarks and service marks in the U.S. and internationally. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which the Company's services are made available online.

To date, The Company has not been notified that its technologies infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company's industry segment grows. Any such claim, whether meritorious or not, could be time-consuming, result in costly litigation, causes service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon The Company's business, results of operations and financial condition.

Going-Concern Risk

The financial statements of the Company have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Our future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future.

There can be no assurances that we will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should we be unable to continue as a going concern.