

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: H-Source Holdings Ltd. (the "Issuer").

Trading Symbol: HSI

Number of Outstanding Listed Securities: 47,935,365

Date: January 30, 2016

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

H-Source is a technology company operating within the healthcare industry. H-Source has developed a 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. Member hospitals can conduct secure transactions

within Integrated Delivery Networks (“IDN’s”), Group Purchasing Organizations (“GPO’s”), the complete H-Source network or customize their own group hospitals using H-Source’s built-in filters. This network is specifically designed to reduce health care costs and medical product waste.

2. Provide a general overview and discussion of the activities of management.

During the month, management focused on the commercialization of its proprietary hospital-to-hospital marketplace network. H-Source has turned on revenue creation and tracking capabilities built into the marketplace platform for software version 2.5 after successful pilot tracking transactions through the system for its member hospitals.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

By the release of software version 2.5, H-Source is focusing more resources on sales and marketing activities to increase support for current members while moving forward implementing the platform to a backlog of newly committed members as well as signing up new hospitals and medical facilities, expanding both inventory listings and member hospitals.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

No products or services were discontinued during the month.

5. Describe any new business relationships entered into between the Issuer, the Issuer’s affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

Not applicable for the preceding month.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer’s affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

Not applicable for the preceding month.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer’s assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable

together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

Not applicable for the preceding month.

8. Describe the acquisition of new customers or loss of customers.

Not applicable for the preceding month.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

The patent application process for the patents pending in the United States, Europe, and Japan is proceeding as expected in all three jurisdictions which included responses this month thru our Japanese affiliate.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

The Company's subsidiary, H-Source, Inc., hired a Vice President of Sales-East and Vice President of Sales-West.

11. Report on any labour disputes and resolutions of those disputes if applicable.

None

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

None

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

None

14. Provide details of any securities issued and options or warrants granted.

| Security      | Number Issued | Details of Issuance | Use of Proceeds <sup>(1)</sup> |
|---------------|---------------|---------------------|--------------------------------|
| Common shares | 833,333       | Shares for debt     | N/A                            |

|               |         |                                             |     |
|---------------|---------|---------------------------------------------|-----|
| Common shares | 200,000 | Bonus shares for Sept. 2015 promissory note | N/A |
|               |         |                                             |     |

*(1) State aggregate proceeds and intended allocation of proceeds.*

15. Provide details of any loans to or by Related Persons.

None

16. Provide details of any changes in directors, officers or committee members.

None

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

#### *Risks Related to Consumer Trends*

H-Source derives substantially all of its revenues from fees from sellers for listing products upon completion of successfully completed transactions. H-Source's future revenues will depend upon continued demand for the types of goods that are listed by users of the H-Source service. The value of listed items on the H-Source 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 H-Source's operating results from one quarter to the next. Any decline in demand for the goods offered through H-Source service as a result of changes in consumer trends could have a material adverse effect on H-Source's business, results of operations and financial condition.

#### *Regulatory Changes*

The business of the Issuer is subject to rapid regulatory changes. Failure to keep up with such changes may adversely affect the business of the Issuer. Some of the changes are the Federal Drug Agency ("FDA") implementation of the Universal Device Identifier ("UDI") in October 2015 and the tracking requirements for pharmaceuticals in the United States.

The Issuer's prospects must be considered in light of the risks, expenses, shifts, changes and difficulties frequently encountered with companies whose businesses are regulated by various federal, state and local governments. The health care, wellness, workers compensation and similar companies are subject to a variety of regulatory requirements and the regulatory environment is ever changing particularly with recent legislation, the full impact of which is not yet understood as regulations have not been issued. Failure to follow regulatory requirements will have a detrimental impact on the business. Changes in legislation cannot be predicted and could irreparably harm the business.

#### *Intellectual Property Rights*

The Issuer could be adversely affected if it does not adequately protect its intellectual property rights. The Issuer regards its marks, rights, and trade secrets and other intellectual property rights as critical to its success. To protect its investments and the Issuer's rights 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 Issuer to protect proprietary rights will be adequate or that third parties will not infringe or misappropriate the Issuer's copyrights, trademarks and similar proprietary rights, or that the Issuer will be able to detect unauthorized use and take appropriate steps to enforce rights. In addition, although the Issuer 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 Issuer. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated February 1, 2016

Denise Lok  
Name of Director or Senior  
Officer

"Denise Lok"  
Signature  
CFO  
Official Capacity

|                                                                   |                                      |                                         |
|-------------------------------------------------------------------|--------------------------------------|-----------------------------------------|
| <b>Issuer Details</b><br>Name of Issuer<br>H-Source Holdings Ltd. | For Month<br>End<br>December<br>2015 | Date of Report<br>YY/MM/D<br>16/02/01   |
| Issuer Address<br>1980 – 1075 West Georgia Street                 |                                      |                                         |
| City/Province/Postal Code<br>Vancouver, BC V6E 3C9                | Issuer Fax No.<br>(778) 329-<br>9361 | Issuer Telephone No.<br>(604) 688-9588  |
| Contact Name<br>Denise Lok                                        | Contact<br>Position<br>CFO           | Contact Telephone No.<br>(604) 688-9588 |
| Contact Email Address<br>Denise.lok@barongroupintl.com            | Web Site Address<br>www.h-source.com |                                         |