



# Management's Discussion & Analysis

For the three and nine month interim  
periods ended  
September 30, 2017 and 2016

VitalHub Corp.

(formerly Quinsam Opportunities I Inc.)

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*This Management's Discussion and Analysis ("MD&A") comments on the financial condition and operations of VitalHub Corp. ("VitalHub", or the "Company"), for the three and nine months ended September 30, 2017 and updates our MD&A for the fiscal year 2016. The information contained herein should be read in conjunction with the Financial Statements and Auditor's Report for fiscal 2016 and the unaudited interim condensed financial statements ("Financial Statements") for the three and nine months ended September 30, 2017.*

*The Company prepares its Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as set out in the Chartered Professional Accountants Canada Handbook ("CPA Canada Handbook"). All financial information contained in this MD&A and in the Financial Statements have been prepared in accordance with IFRS except for certain "Non-IFRS Measures" on page 17 of this MD&A.*

*The information in this MD&A is as of November 23, 2017. All currency amounts in this MD&A are expressed in Canadian dollars, unless specified otherwise.*

## **COMPANY PROFILE**

VitalHub is a Healthcare IT mobile solutions vendor. The technology was built at Mount Sinai Hospital in Toronto, with the goal of providing clinicians easy access to data from multiple disparate electronic medical records and other patient information systems that the hospital had invested a substantial amount into implementing. VitalHub was a private company incorporated in 2010, when it received investment funding from MaRS Innovation as well as an angel investor. They continued to fund the Company, primarily through debt, through to April 2016. In May 2016, the Company was restructured and sold to 2514987 Ontario Inc., an arm's length corporation owned by Dan Matlow (CEO and President of VitalHub) and Brian Goffenberg (CFO and EVP of VitalHub). In November 2016, the new management took the Company public by completing a reverse takeover transaction with VitalHub acquiring all the controlling interest in Quinsam Opportunities I Inc. ("QOP"). Upon completion of the transaction, QOP changed its name to VitalHub Corp., and commenced trading on the TSXV Venture Exchange under the symbol "VHI" on December 2, 2016.

The VitalHub solution comprises two key components: middleware and mobile. The solution was designed to sit on top of the various disparate clinical information systems and present aggregated patient data to clinicians through a highly intuitive user interface on a mobile device. In essence, the core technology is a middleware solution that integrates patient information and presents it via mobile devices.

## COMPANY STRATEGY

VitalHub's strategy is highlighted as follows:

- To become the leading vendor of Mobile Health ("MHealth") integration software solutions throughout North America
- To increase growth and profitability through acquisitions of software companies focused in the Healthcare IT area. Leveraging the install base by cross-selling the suite of VitalHub products to increase revenues, reduce research and development costs by moving development offshore with a significantly reduced wage structure and consolidating finance, administration, sales and marketing teams to increase efficiencies and reduce overall costs.
- To work with system integrators to utilize the VitalHub solutions as part of their delivery infrastructure for the deployment of mobile applications within hospitals and health authorities.
- To market the diabetes registry system developed for Mount Sinai within the Canadian marketplace and to become the leading software solution for diabetes management in Canada.

## COMPANY HIGHLIGHTS

- **On September 12, 2017, the Company completed its previously announced private placement offering (the “offering”)** of 31,779,300 units at a price of \$0.10 per unit, for total gross proceeds of \$3,177,930. Each unit consisted of one common share and one common share purchase warrant (each a "warrant"). Pursuant to the offering, the Company issued a total of 31,779,300 common shares and 31,779,300 warrants. Each warrant is exercisable to acquire one common share at an exercise price of \$0.18 per share until September 12, 2019, subject to adjustment in certain events, and subject to the Company's right to accelerate expiry of the warrants if, beginning on January 13, 2018, the closing trading price of the common shares on the TSX Venture Exchange equals or exceeds \$0.30 for any 20 consecutive trading days. In continuing to carry out the Companies strategy a portion of the net proceeds from the offering were subsequently used for the acquisition of B Sharp Technologies Inc. (“B Sharp Technologies”) (see subsequent events below).
- **Revenue** for the three months ended September 30, 2017 was \$159,874, representing an increase of 18.2% over revenues of \$135,206 in the same period last year. Revenue for the nine months ended September 30, 2017 was \$424,402 representing an increase of 16.0% over revenues of \$365,806 in the same period last year.
- **William Osler Health System (“Osler”), one of the largest community health systems in Canada, is the first hospital to license VitalHub Engage (“VH Engage”), one of the Company’s new technologies introduced to the Canadian marketplace.** The Osler app will provide patients with maps and locations for all outpatient clinics spread across cross Brampton Civic Hospital, Etobicoke General Hospital and the new Peel Memorial Centre for Integrated Health and Wellness, and enable them to more easily navigate between the three facilities, depending on their needs.
- **Trinity Village Care Centre is the first long-term care facility to purchase and implement the Company’s newly created Forms & Task Management System (“VH Tasks”).** The application was co-designed with Trinity Village Care Centre through the MaRS procurement challenge and is showing positive results: time savings of 23 minutes per personal support worker per 8-hour shift, time savings of 1.5 hours per registered practical nurse per 8-hour shift, 30% improvement in data quality, and improved work/life balance for frontline staff. VitalHub and Trinity Village will continue to work together to implement the project and present the solution to other long-term care homes.

## SUBSEQUENT EVENTS

### Acquisition

After successfully completing the offering, the Company used a portion of the net proceeds to acquire B Sharp Technologies on October 5, 2017 through the purchase of all the issued and outstanding securities pursuant to an acquisition agreement dated August 29, 2017 with all of the shareholders of B Sharp Technologies.

The purchase price for the acquisition was \$3,826,000 paid to the Vendors by way of a cash payment of \$1,876,000.06 (the "cash purchase price") together with the delivery of a total of 13,928,571 common shares of VitalHub, at a price of \$0.14 per common share (the "share purchase price"), issued to the shareholders of B Sharp Technologies. The principal shareholders of B Sharp Technologies (including their respective wholly-controlled family trusts), received 5,457,171, 5,457,171 and 3,014,229 common shares, respectively, such that following the acquisition they hold approximately 6.8%, 6.8% and 3.7%, respectively, of the total issued and outstanding common shares.

A portion of the cash purchase price is subject to the following escrow conditions (i) 3.75% of the purchase price will be held in escrow for a nine (9) month period from the closing date of the acquisition, and (ii) save and except for the portion of the share purchase price allocated to the 3.7% shareholder, the share purchase price will be released to the former B Sharp Technologies shareholders in six equal consecutive semi-annual distributions, the first of such distributions to occur on the six month anniversary of the closing date of the acquisition. The portion of the share purchase price allocated to the 3.7% shareholder will be released in four equal consecutive semi-annual distributions, the first of such distributions to occur on the six month anniversary of the closing date of the acquisition.

B Sharp Technologies develops and deploys client mental health case management and electronic documentation solutions for healthcare, social services, and community care organizations, and has a software development operation in Sri Lanka which provides access to skilled and cost effective development personnel. The products of B Sharp Technologies are used by over 40 customers in 70 locations across Canada, with total revenues generating approximately 70% of annual recurring revenue. For the year ended December 31, 2016 B Sharp Technologies had total unaudited revenues from operations of approximately \$1.8 million.

### **Private placement**

On October 24, 2017 the Company completed a private placement (the "offering") of units at a price of \$0.10 per Unit, for total gross proceeds of \$85,000. Each unit consisted of one common share and one warrant. Pursuant to the offering, the Company issued a total of 850,000 common shares and 850,000 warrants. Each warrant is exercisable to acquire one common share at an exercise price of \$0.18 per share until October 24, 2019. The Company intends to use the net proceeds of the offering for general working capital purposes. All securities issued in connection with the offering are subject to a four month hold period expiring February 25, 2018.

### **Securities for debt transactions**

On October 23, 2017, the remaining balance of the promissory note of \$31,832 was converted into 318,321 shares of the Company at \$0.10 per share and 318,321 warrants at \$0.18 per share. In addition, the Company's external legal counsel converted \$27,000 of debt owed to them for services previously rendered to the Company into 270,000 shares of the Company at \$0.10 per share and 270,000 warrants at \$0.18 per share. Each warrant will entitle the holder to purchase one common share for a period of twenty-four (24) months from the date of issuance. All securities issued in connection with the offering are subject to a four month hold period expiring February 24, 2018.

## SUMMARY OF OPERATING RESULTS

This report analyses the results for the three and nine month periods ended September 30, 2017, with comparisons to the same periods for the prior year. The Financial Statements for the period ended September 30, 2017 form an integral part of this Management's Discussion and Analysis. The Financial Statements can be found at [www.sedar.com](http://www.sedar.com).

### VitalHub summary of operating results:

	Three months ended September 30 2017 \$	Three months ended September 30 2016 \$	% Change	Nine months ended September 30 2017 \$	Nine months ended September 30 2016 \$	% Change
Revenues	159,874	135,206	18.2%	424,402	365,806	16.0%
Cost of sales	25,500	10,000	60.8%	37,000	16,500	124.2%
Selling, marketing and administrative expenses	507,743	97,766	419.3%	1,110,618	409,986	170.9%
Research and development expenses	190,111	23,974	693.0%	643,339	387,371	66.1%
Foreign currency (loss) gain	-	-	0.0%	1,172	(1,404)	(219.8%)
Interest expense	(6)	(78)	(91.7%)	(764)	(231,261)	(99.7%)
Net (loss) income	(563,486)	3,388		(1,368,491)	(677,908)	
Net (loss) income per share basic and diluted	(0.014)	0.000		(0.037)	(0.051)	
Weighted average number of shares outstanding - basic	41,110,405	13,400,016		36,693,767	13,400,016	
Weighted average number of shares outstanding - diluted	41,110,405	15,894,107		36,693,767	13,400,016	

## Types of Revenue

The Company generates revenue from the sale of annual renewable software licences, maintenance and consulting services. Certain agreements provide for the delivery of application software and continuing post-contract services (“PCS”), such as support and maintenance for the application software sold. Revenue is allocated to multiple elements using the relative fair value method.

For the three months ended September 30, 2017, the Company generated total revenue of \$159,874, representing an increase of 18.2% over revenue of \$135,206 for the same period last year. For the nine months ended September 30, 2017, the Company generated total revenue of \$424,402, representing an increase of 16.0% over revenue of \$365,806 for the same period last year. This is primarily due to a new customer contract with William Osler Health System, awards received from the Procurement by Co-Design Challenge hosted by MaRS for developing application solutions for Markham Stouffville Hospital and Trinity Village Care Centre and the procurement contract with Trinity Village Care Centre for the developed application.

VitalHub generates its revenue from three main sources:

### **Term software licenses:**

Term or annual renewable software licences include the right to use the software for a year, technical support and maintenance services. These services are similar in substance to a subscription as the Company does not sell one-year licences without technical support and maintenance services. Revenue is recognized on a straight line basis over the term of the agreement from the date the licence term commences.

Revenue from term or annual renewable software licences for the three months ended September 30, 2017 was \$55,750, an increase of 11.5% compared to revenue of \$50,000 for the three months ended September 30, 2016. For the nine months ended September 30, 2017 revenue from term or annual renewable software licences was \$161,750 representing a 7.8% increase from revenue of \$150,000 for the same period last year.

### **Post contract service maintenance and support services:**

PCS maintenance and support services revenue are accounted for as services. As part of the sale of an annual renewable licence, a client can acquire, for a separate fee, maintenance and support services for the software. These maintenance and support services are renewable by the client on an annual basis as of the anniversary date of the software purchase. These arrangements include an indeterminable number of acts over a specified period of time with revenue recognized on a straight line basis over the term of the arrangement.

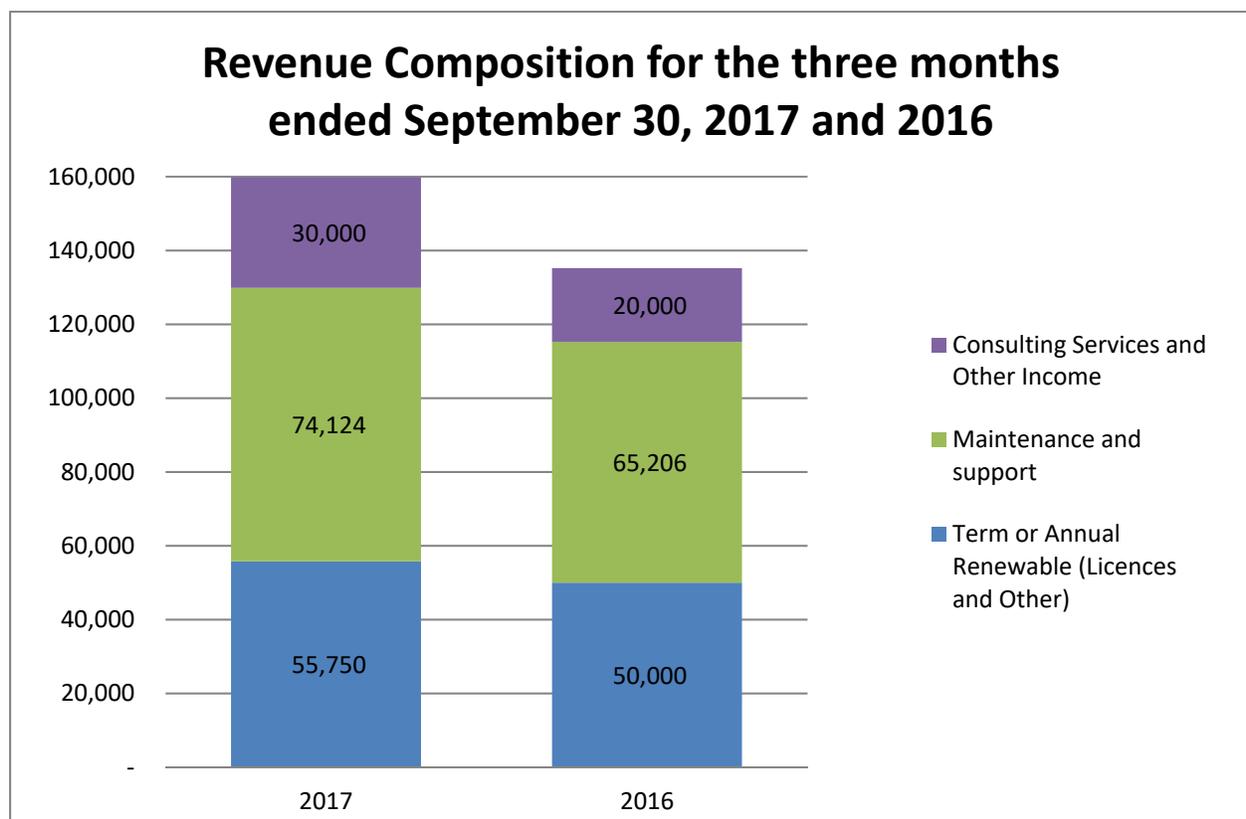
Revenue from PCS maintenance and support services for the three months ended September 30, 2017 was \$74,124, representing a 13.7% increase from revenue of \$65,206 for the three months ended September 30, 2016. For the nine months ended September 30, 2017 revenue from PCS maintenance and support services was \$220,152, representing a 20.4% increase from revenue of \$182,806 for the same period last year.

**Consulting, professional services and other income:**

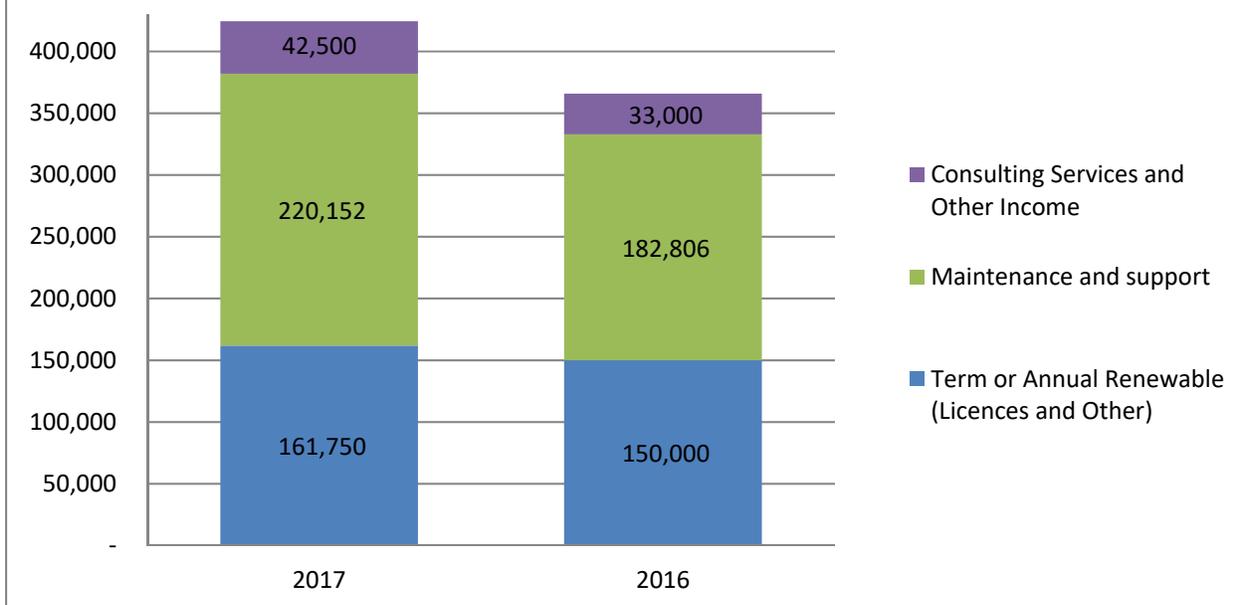
Consulting and professional services are accounted for as services. They include installation, implementation, training, and integration related to the VitalHub software. They are charged on a time and materials basis. Other income represents miscellaneous revenue and is recognized when received.

Revenue from consulting, professional services and other for the three months ended September 30, 2017 was \$30,000, representing a 50.0% increase compared to revenue of \$20,000 for the three months ended September 30, 2016. For the nine months ended September 30, 2017 revenue from consulting, professional services and other was \$42,500, compared to revenue of \$33,000 for the same period last year, and increase of 28.8%.

**REVENUE COMPOSITION**



## Revenue Composition for the nine months ended September 30, 2017 and 2016



### Expenses

**Operating expenses** for the three months ended September 30, 2017 were \$697,854, an increase of 473.2% over expenses of \$121,740, for the same period last year. For the nine months ended September 30, 2017, operating expenses were \$1,755,129, representing a 120.5% increase from operating expenses of \$795,953 for the same period last year.

- Sales, marketing and administrative expenses** for the three months ended September 30, 2017 were \$507,743 representing an increase of 419.3% over expenses of \$97,766 for the same period last year. For the nine months ended September 30, 2017, sales, marketing and administrative expenses were \$1,110,618, representing an increase of 170.9% over expenses of \$409,986 for the same period last year. The increase is due to increasing consulting and sales staff, marketing and travel expenses to grow the customer base, along with investor relation costs, professional and advisory services relating to the offering.
- Research and development expenses** for the three months ended September 30, 2017 were \$190,111 representing a 693.0% increase over expenses of \$23,974 for the same period last year. For the nine months ended September 30, 2017, research and development expenses were \$643,339, representing an increase of 66.1% over expenses of \$387,371 for the same period last year. The increase is a result of approximately \$371,518 in coop credits and prior years SR&ED claims in 2016, which were netted against the expenses for the period ended September 30, 2016.

## Results of Operations

The following table highlights selected financial information for the eight consecutive quarters ended September 30, 2017:

	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4
Revenues (\$)	159,874	135,875	128,653	122,329	135,206	107,600	123,000	126,600
Net (loss) income (\$)	(563,486)	(439,792)	(365,213)	(732,129)	3,388	(449,427)	(231,869)	(1,079,965)
EBITDA (\$)	(562,991)	(439,171)	(364,097)	(718,445)	4,677	(217,033)	(230,658)	438,190
Adjusted EBITDA (\$)	(559,437)	(435,617)	(284,006)	(833,794)	4,677	32,967	(230,658)	438,190
Net (loss) income per share - basic and diluted (\$)	(0.014)	(0.013)	(0.011)	(0.047)	0.000	(0.034)	(0.017)	(0.081)
Weighted average number of shares outstanding - basic	41,110,405	34,424,445	34,424,445	15,700,421	13,400,016	13,400,016	13,400,016	13,400,016
Weighted average number of shares outstanding - diluted	41,110,405	34,424,445	34,424,445	15,700,421	15,894,107	13,400,016	13,400,016	13,400,016

- For the three months ended September 30, 2017, the Company had a net loss of \$563,486 on revenue of \$159,874 versus net income of \$3,388 on revenue of \$135,206 for the same period last year.
- EBITDA, defined as Earnings Before Interest, Taxation, Depreciation and Amortization, a non-IFRS measure, for the three months ended September 30, 2017 was (\$562,991) as compared to EBITDA of \$4,677 for the same period last year. For the nine months ended September 30, 2017 EBITDA was (\$1,366,259) as compared to EBITDA of (\$443,014) for the same period last year, as described in the Reconciliation and Definition of Non-IFRS Measures section of this MD&A.
- Adjusted EBITDA, defined as Earnings Before Interest, Taxation, Depreciation and Amortization and Share Based Compensation expense, a non-IFRS measure, for the three months ended September 30, 2017 was (\$559,437) as compared to EBITDA of \$4,677 for the same period last year. For the nine months ended September 30, 2017 Adjusted EBITDA was (\$1,279,060) as compared to EBITDA of (\$193,014) for the same period last year, as described in the Reconciliation and Definition of Non-IFRS Measures section of this MD&A.

## Financial Condition

A discussion of the significant changes in our statements of financial position:

	September 30 2017	December 31 2016	\$ Change	% Change
Cash and restricted cash	2,229,198	1,143,370	1,085,828	95.0%
Financing proceeds held in escrow	1,000,000	-	1,000,000	100.0%
Trade and other receivables	370,556	591,256	(220,700)	(37.3%)
Accounts payable and accrued liabilities	968,760	531,678	437,082	82.2%
Deferred revenue	545,063	597,465	(52,402)	(8.8%)

- **Cash and restricted cash** was \$2,229,198 an increase of \$1,085,828 from December 31, 2016. Refer to Liquidity and Capital Resources for a discussion of the changes in cash.
- **Financing proceeds held in escrow** of \$1,000,000 relate to the net proceeds from the offering being placed in escrow pursuant to an escrow agreement.
- **Trade and other receivables** were \$370,556, a decrease of \$220,700, which primarily relates to an adjustment to bad debt expense for a previously filed SR&ED claim.
- **Accounts payable and accrued liabilities** were \$968,760, an increase of \$437,082, this is due primarily to advisory and professional fees related to the offering.
- **Deferred revenues** were \$545,063, representing a decrease of \$52,402 from December 31, 2016 which is driven by the timing of the customer billing cycle of recurring contracts.

## Obligations and Commitments

### COMMITMENTS

The Company leases its premises annually under an agreement, which is classified as an operating lease. The lease provides for payment of utilities, property taxes and operating costs.

### Liquidity and Capital Resources

The Company's cash position at September 30, 2017 was \$2,229,198 and \$227,188 at September 30, 2016. The Company's working capital, which is represented by current assets offset by current liabilities, increased by \$2,561,017 to \$2,277,385 at September 30, 2017, compared to a working capital deficiency of (\$283,632) at September 30, 2016. The increase is due to completing and receiving a portion of the net proceeds from the offering in the period.

The Company has not yet achieved profitable operations and has an accumulated deficit of \$3,833,355 (December 31, 2016 - \$2,477,078). The ability of the Company to continue as a going concern is dependant on the successful execution of management's business plan, which involves increasing revenues through market penetration and acquisitions of software companies focused in the Healthcare IT area, securing additional equity financing to fund planned acquisitions as well as for working capital and general corporate purposes, all of which cast significant doubt upon the Company's ability to continue as a going concern.

During the period ended September 30, 2017, the Company raised gross proceeds of \$3,177,930 from a brokered private placement and subsequent to the period completed the planned acquisition of B Sharp Technologies. The Company completed a debt for securities transaction for \$58,832 subsequent to the period, in addition to raising an additional \$85,000 from a non-brokered private placement subsequent to the period. Management anticipates that the Company will continue to raise sufficient funds and increase revenues through further acquisitions to meet its working capital and general corporate obligations. While the Company has been successful in raising financing, and completing its planned acquisition, there can be no assurance that the Company will continue to be successful in achieving these plans.

The Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assume the Company will generate sufficient financing to fund its ongoing operations. Should the going concern assumption not be applicable, then adjustments would be required to the carrying value of the Company's net assets and to its statement of operations, these adjustments could be material. Please refer to Note 1 of the September 30, 2017 Financial Statements.

#### CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	Nine months ended September 30 2017 \$	Nine months ended September 30 2016 \$	Change \$
Net loss	(1,368,491)	(677,908)	(690,583)
Items not affecting cash	88,667	484,816	(396,149)
Net change in non-cash working capital	(470,958)	(334,870)	(136,088)
Cash used in operating activities	(1,750,782)	(527,962)	(1,222,819)

- The Company has a net loss of \$1,368,491 for the nine months ended September 30, 2017 compared to a net loss of \$677,908 for the same period last year, as described in the Operating Results section of this MD&A.
- Items not affecting cash decreased by \$396,148 represented by a decrease in stock based compensation expense of \$162,801 and a decrease in interest expenses of \$231,183.
- Changes in non-cash working capital decreased by \$136,088 in comparison to the prior period. This is primarily due a decrease in receivables caused by timing of customer billings and collections .

#### CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

	Nine months ended September 30 2017 \$	Nine months ended September 30 2016 \$	Favourable (Unfavourable) \$
Cash used in investing activities	(5,722)	-	(5,722)

Cash used in investing activities relates to the purchase of computer equipment for the nine months ended September 30, 2017.

#### CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

	Nine months ended September 30 2017 \$	Nine months ended September 30 2016 \$	Favourable (Unfavourable) \$
Cash provided by financing activities	2,842,332	702,213	2,140,119

Cash provided from financing activities was \$2,842,332 for the nine months ended September 30, 2017 and cash provided by financing activities was \$702,213 for the same period in the prior year. The amounts in the current period relate primarily to the net proceeds from the offering, and the amounts for the prior period relate to proceeds from a loan.

## SHARE CAPITAL STRUCTURE

Issued	September 30 2017		December 31 2016	
	Class A Common Shares #	Amount \$	Class A Common Shares #	Amount \$
Opening Balance	34,424,445	2,679,609	13,400,016	900,000
Issuance of common shares	32,726,015	1,903,383	20,545,858	1,729,823
Options exercised	-	-	478,571	49,786
Ending Balance	67,150,460	4,582,992	34,424,445	2,679,609

On September 12, 2017, the Company completed a brokered private placement financing under which 31,779,300 units were issued at \$0.10 per unit for total gross proceeds of \$3,177,930. Each unit comprises one common share and one warrant. Each warrant grants the right to acquire an additional common share at a price of \$0.18 per share for up to two years, subject to adjustment in certain events, and subject to the Company's right to accelerate expiry of the warrants if, beginning on January 13, 2018, the closing trading price of the common shares on the TSX Venture Exchange equals or exceeds \$0.30 for any 20 consecutive trading days. All securities issued in connection with the brokered private placement, which include certain insider participation, are subject to a four month hold period expiring January 13, 2018.

The 31,779,300 warrants were valued at \$760,472 using the Black-Scholes option pricing model using the following assumptions: share price - \$0.13; exercise price - \$0.18; expected life – 2 years; volatility – 100%; dividend yield – 0%; risk free rate – 1%.

The Company retained Echelon Wealth Partners Inc. and Paradigm Capital Inc., as co-lead agents, along with a syndicate of agents that included Canaccord Genuity Corp. and Industrial Alliance Securities Inc. The Company paid the agents fees and cash commissions of \$167,043 and issued 946,715 units, each unit comprises one common share and one commission warrant under the same terms as described above. The agents also received 1,687,225 non-transferable compensation warrants valued at \$97,995. Each compensation warrant entitles the holder to purchase one common share at a price of \$0.18 per share, under the same terms as described above.

The 946,715 commission warrants, and 1,687,255 compensation warrants were valued at \$94,671 and \$97,995 using the Black-Scholes option pricing model using the following assumptions: share price - \$0.13; exercise price - \$0.18; expected life – 2 years; volatility – 100%; dividend yield – 0%; risk free rate – 1%.

The Company incurred additional costs of \$154,366 relating to professional and advisory services and listing fees resulting in net proceeds of the brokered private placement of \$2,758,526 which was allocated proportionally between share capital and warrants based on their relative fair values within the unit with \$1,903,383 (69%) allocated to share capital and \$855,143 (31%) allocated to warrants.

#### **CONTINGENT OFF-BALANCE SHEET AND OTHER ARRANGEMENTS**

The Company has obligations with respect to licence, maintenance and support arrangements for any 12 month period. This obligation is reflected on the Company's statement of financial position through its deferred revenue balance. Outside of deferred revenue, the Company has no material obligations or contingencies.

#### **Critical Accounting Policies and Estimates**

*A description of the Company's accounting estimates that are critical to determining the Company's financial results and changes to accounting policies.*

The Company's Financial Statements are prepared in accordance with IFRS, which require the Company to make estimates and assumptions that affect the amounts reporting in its Financial Statements. It has identified several policies as critical to the business operations and essential for an understanding of the results of operations. The application of these and other accounting policies are described in Note 4 of the Company's annual financial statements. There have been no significant changes in its critical accounting estimates from what was previously disclosed in its MD&A for the year ended December 31, 2016. These policies are incorporated herein by reference. Preparation of the Financial Statements requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reporting amounts of revenues and expenses during the reporting period. Actual results could vary significantly from those estimates. Significant areas requiring the Company to makes estimates include: the useful life of and value and assets, the valuation allowance of income tax accounts, the recognition of revenue and accrued liabilities.

## Reconciliation and Definition of Non-IFRS Measures

*A description and calculation of certain measures used by management*

### RECURRING REVENUE

Recurring revenue is defined as annual renewable software licence fees and maintenance services.

The following chart reflects the Company's revenue composition as reported in the interim condensed statements of operations and comprehensive loss:

Three months ended September 30 2017 \$	Term or Annual Renewable (Licences and Other)	Maintenance and support	Consulting Services	Ending Balance as per Financial Statements
Term licences, maintenance and support	55,750	74,124	-	129,874
Services and other	-	-	30,000	30,000
Ending balance as per MD&A	55,750	74,124	30,000	159,874

Three months ended September 30 2016 \$	Term or Annual Renewable (Licences and Other)	Maintenance and support	Consulting Services	Ending Balance as per Financial Statements
Term licences, maintenance and support	50,000	65,206	-	115,206
Services and other	-	-	20,000	20,000
Ending balance as per MD&A	50,000	65,206	20,000	135,206

Nine months ended September 30 2017 \$	Term or Annual Renewable (Licences and Other)	Maintenance and support	Consulting Services	Ending Balance as per Financial Statements
Term licenses, maintenance and support	161,750	220,152	-	381,902
Services and other	-	-	42,500	42,500
Ending balance as per MD&A	161,750	220,152	42,500	424,402

Nine months ended September 30 2016 \$	Term or Annual Renewable (Licences and Other)	Maintenance and support	Consulting Services	Ending Balance as per Financial Statements
Term licenses, maintenance and support	150,000	182,806	-	332,806
Services and other	-	-	33,000	33,000
Ending balance as per MD&A	150,000	182,806	33,000	365,806

## EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTIZATION (“EBITDA”)

EBITDA is a measure used by management to evaluate operational performance. It is also a common measure that is reported on and used by investors in determining a company’s ability to incur and service debt as well as a valuation methodology. Management believes EBITDA enhances the information provided in the Financial Statements. EBITDA is a non-IFRS measure and should not be considered an alternative to operating income or net income (loss) in measuring the Company’s performance. EBITDA should not be used as an exclusive measure of cash flows because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash which are disclosed in the interim statements of cash flows.

The following chart reflects the Company’s calculation of EBITDA:

EBITDA	Three months ended September 30 2017 \$	Three months ended September 30 2016 \$	Nine months ended September 30 2017 \$	Nine months ended September 30 2016 \$
Net loss	(563,486)	3,388	(1,368,491)	(677,908)
Add: Interest	6	78	764	231,261
Add: Depreciation and amortization	489	1,211	1,468	3,633
Add: Tax expense (recovery)	-	-	-	-
EBITDA	(562,991)	4,677	(1,366,259)	(443,014)

## ADJUSTED EBITDA

Adjusted EBITDA, defined as Earnings before Interest, Taxation, Depreciation, Amortization, and Share Based Compensation expense is an additional measure used by management to evaluate cash flows and the Company’s ability to service debt. Adjusted EBITDA is a non-IFRS measure and should not be considered an alternative to operating income or net income (loss) in measuring the Company’s performance.

The following chart reflects the Company’s calculation of Adjusted EBITDA:

Adjusted EBITDA	Three months ended September 30 2017 \$	Three months ended September 30 2016 \$	Nine months ended September 30 2017 \$	Nine months ended September 30 2016 \$
EBITDA as above	(562,991)	4,677	(1,366,259)	(443,014)
Add: Stock based compensation expense	3,554	-	87,199	250,000
Adjusted EBITDA	(559,437)	4,677	(1,279,060)	(193,014)

## Risks and Uncertainties

The Company operates in a dynamic environment that exposes it to a number of risks and uncertainties. The following section describes some, but not all, of the risks and uncertainties that may adversely impact VitalHub business, financial condition, and/or results of operations. If any of these risks actually occur, the Company's business, financial condition and/or results of operations could be materially harmed.

**The annual revenue and operating results of VitalHub can be difficult to predict and can fluctuate substantially, which may harm or distort results of operations.**

VitalHub's revenue is difficult to forecast and is likely to fluctuate significantly from quarter to quarter. In addition, operating results may not follow any past trends. The factors affecting revenue and results, many of which are outside of VitalHub's control, include:

- Competitive conditions in the industry, including new products, product announcements and special pricing offered by competitors
- Market acceptance of products
- Ability to hire, train and retain sufficient qualified sales and professional services staff
- Ability to complete service obligations related to product sales in a timely manner
- Varying size, timing and contractual terms of orders for products, which may delay the recognition of revenue
- Ability to maintain existing relationships and to create new relationships to assist with sales and marketing efforts
- The discretionary nature of hospital purchase and budget cycles and changes in their budgets for, and timing of, software and related purchases
- The length and variability of the sales cycles
- Strategic decisions by VitalHub or competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy
- General weakening of the economy resulting in a decrease in the overall demand for computer software and services
- Changes in VitalHub pricing policies and the pricing policies of VitalHub's competitors;
- Timing of product development and new product initiatives
- Changes in the mix of revenue attributable to substantially lower-margin service revenue as opposed to higher margin product license revenues
- Cancellation of recurring monthly software contracts

Because VitalHub's annual revenue is dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of sales prospects into revenue could cause the plan or budget to be inaccurate, and those variations could adversely affect financial results. Delays, reductions in the amount, or cancellations of customers' purchases would adversely affect VitalHub revenues, results of operations and financial condition.

**VitalHub may need additional financing in order to support its operations, make further investments, or take advantage of unanticipated opportunities.**

The ability of VitalHub to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as its business success. There can be no assurance that VitalHub will be successful in its efforts to arrange additional financing on satisfactory terms.

If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of VitalHub may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, then VitalHub may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

**VitalHub may be unable to identify and complete acquisitions. Acquisitions could divert Management's attention and financial resources, may negatively affect operating results and could cause significant dilution to shareholders.**

VitalHub has, and in the future may continue to, engage in selective acquisitions of complementary products or businesses. There is a risk that VitalHub will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into its operations. VitalHub is likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources. Acquisitions may involve a number of other risks, including:

- Diversion of management's attention
- Disruption to ongoing business
- Failure to retain key acquired personnel
- Difficulties in integrating acquired operations, technologies, products or personnel
- Unanticipated expenses, events or circumstances

- Assumption of disclosed and undisclosed liabilities
- Inappropriate valuation of the acquired in-process research and development, or the entire acquired business

If VitalHub does not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on the business, results of operations and financial condition. Problems with an acquired business could have a material adverse effect on the performance of the business as a whole. In addition, if VitalHub proceeds with an acquisition, available cash may be used to complete the transaction, diminishing liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

**The industry in which VitalHub operates is highly competitive and competition could intensify, or any technological advantages held by VitalHub may be reduced or lost, as a result of technological advances by its competitors. If VitalHub does not compete effectively with these competitors, its revenue may not grow.**

VitalHub has experienced competition from a number of software companies, and expects it to continue in the future. VitalHub's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and reduced growth in sales, any of which could have a material adverse effect on the business, results of operations and financial condition of VitalHub. VitalHub faces substantial competition from established competitors, many of which have greater financial, engineering, manufacturing and marketing resources than it does. Many of these companies also have a larger installed base of users, have longer operating histories or have greater name recognition than VitalHub does. There can be no assurance that VitalHub will successfully differentiate its current and proposed products from the products of its competitors, or that the marketplace will consider the products of VitalHub, to be superior to competing products.

To maintain VitalHub's competitive position, it is believed that VitalHub will be required to continue a high level of investment in engineering, research and development, marketing and customer service and support. There can be no assurance that VitalHub will have sufficient resources to continue to make these investments, that it will be able to make the technological advances necessary to maintain its competitive position, or that its products will receive market acceptance. VitalHub's competitors may be able to respond more quickly to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products.

VitalHub may not be able to compete successfully in the future, and increased competition may result in price reductions, reduced profit margins, loss of market share and an inability to generate cash flows that are sufficient to maintain or expand its development of new products.

**The success of the business of VitalHub is dependent upon its ability to develop new products and enhance existing products.**

To keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance, VitalHub must enhance and improve existing products and must also continue to introduce new products and services. If VitalHub is unable to successfully develop new products or enhance and improve existing products or it fails to position and/or price its products to meet market demand, the business and operating results of VitalHub will be adversely affected. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development that could adversely affect operating results. Further, any new products could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue.

**If VitalHub is required to change its pricing models to compete successfully, margins and operating results may be adversely affected.**

The intensely competitive market in which VitalHub operates may require that prices be reduced. If competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other software products, VitalHub may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would be likely to reduce margins and could adversely affect operating results. Some competitors may bundle software products that compete with VitalHub products for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. These practices could, over time, limit the prices that VitalHub can charge for its products. If VitalHub cannot offset price reductions with a corresponding increase in the number of sales or with lower spending, then the reduced software license revenue resulting from lower prices would adversely affect margins and operating results.

**VitalHub may not be able to successfully develop and maintain strategic relationships to sell and implement its products.**

VitalHub has or is developing relationships with third-party systems integrators, software and hardware vendors. These third parties may provide VitalHub with customer referrals, cooperate in marketing VitalHub's products and provide its customers with systems implementation services or additional complementary products. However, VitalHub does not have formal agreements governing ongoing relationships with certain of these third-party providers and the agreements in place generally do not include obligations with respect to generating sales opportunities or co-operating on future business. Should any of these third parties go out of business or choose not to work with VitalHub, the company may be forced to increase the development of those capabilities internally, incurring significant expense and adversely affecting operating margins. These third-party providers may work with other companies which have products that compete with the VitalHub products. VitalHub could lose sales opportunities if it fails to work effectively with these parties or they choose not to work with VitalHub.

**The operations of VitalHub could be negatively affected if it loses key executives or employees or is unable to attract and retain skilled executives and employees as needed.**

The business and future operating results of VitalHub depend in part upon its ability to attract and retain qualified management, technical, sales, marketing, and support personnel. This is crucial to the ability of VitalHub to develop, market, and support its products and services. The loss of key personnel could negatively impact VitalHub's business, results of operations, and financial condition. The success of VitalHub is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Competition for such personnel can be intense, and no assurance can be made that VitalHub will be able to attract or retain highly qualified technical and managerial personnel in the future. The inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect the future growth and profitability of VitalHub. It may be necessary to increase the level of compensation paid to existing or new employees to a degree that operating expenses could be materially increased.

**Errors in VitalHub products could result in significant costs to VitalHub and could impair its ability to sell its products.**

VitalHub products are complex and, accordingly, they may contain errors, or "bugs", that could be detected at any point in their product life cycle. The reputation of VitalHub could be materially and adversely affected by errors in the products. These errors could result in significant costs to VitalHub, delay planned release dates and impair the

ability to sell products in the future. The costs incurred in correcting any product errors may be substantial and could adversely affect operating margins. While VitalHub plans to continually test its products for errors and work with customers through maintenance support services to identify and correct bugs, errors in the products may be found in the future.

**A successful product liability claim against VitalHub could seriously harm the business.**

The license agreements that VitalHub enters into with its customers typically contain provisions designed to limit the exposure VitalHub has to potential product liability claims. Despite this, it is possible that these limitations of liability provisions may not be effective as a result of existing or future laws or unfavourable judicial decisions. VitalHub has not experienced any product liability claims to date. However, the sale and support of VitalHub products may entail the risk of those claims, which are likely to be substantial in light of the use of the products in critical applications. A successful product liability claim could result in significant monetary liability and a serious disruption of the business.

**Economic uncertainty and downturns in the software market may lead to decreases in the revenue and margins of VitalHub.**

The market for VitalHub's products depends on economic conditions affecting the broader software market. Downturns in the economy may cause hospitals to delay or cancel software projects, reduce their overall information technology budgets or reduce or cancel orders for VitalHub products. This may lead to longer sales cycles, delays or failures in payment and collection, and price pressures, causing VitalHub to realize lower revenue and margins.

**VitalHub may lose sales or sales may be delayed due to the long sales cycles for its products.**

Hospitals typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to license software products. Typically, the larger the sale, the more time, money and other resources will be invested. As a result, it may take many months after VitalHub first has contact with a potential customer before a sale can actually be completed. VitalHub may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for implementation of VitalHub products varies among its customers and may last several months, depending on the customers' needs and the products deployed. During these long sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. For example:

- Purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty
- VitalHub or its competitors may announce or introduce new products; or
- The customer's budget and purchasing priorities may change

If these events were to occur, sales of VitalHub products or services may be cancelled or delayed, which would reduce future revenue.

**Maintenance and service revenue produce substantially lower gross margins than license revenue, and an increase in service revenue relative to license revenue would harm VitalHub's overall gross margins.**

Maintenance and service revenue have substantially lower gross margins than license revenue. An increase in the percentage of net revenue represented by maintenance and service revenue could adversely affect overall gross margins percentage.

The volume and profitability of services can depend in large part upon:

- Competitive pricing pressure on the rates charged for professional services
- Billable utilization of services personnel
- The complexity of clients' IT environments; and
- The resources directed by customers to their implementation projects

Any erosion of margins for maintenance and service revenue, or any adverse changes in the mix of license versus maintenance and service revenue, could adversely affect operating results.

**VitalHub may license software from third parties. The loss of rights to use this software could increase operating expenses and could adversely affect the company's ability to compete.**

VitalHub may license certain technologies used in its products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could delay VitalHub's ability to ship its products, as VitalHub may need to seek to implement alternative technology offered by other sources. This may require unplanned investments by VitalHub. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more products or relating to current or future

technologies to enhance VitalHub's product offerings. There is a risk that VitalHub will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

**VitalHub is exposed to foreign currency risk by reason of collecting some of its revenues in US dollars and plans to sell into other foreign geographies, a change in the foreign currency exchange rate could adversely affect the company's earnings.**

For the year ended December 31, 2016, approximately 0% of VitalHub's sales revenue originated from clients in the United States. It is possible that a greater percentage of VitalHub's sales could emanate from the U.S., and other foreign countries. As such, a significant portion of VitalHub's revenues are in U.S. dollars, or other foreign currencies which it then converts into Canadian dollars for reporting in its financial statements. VitalHub's earnings could be adversely affected if the exchange rate between the U.S. and Canadian dollars, other foreign currencies and Canadian dollars continues to fluctuate.

## FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budgets”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or “recurring”, or variations of such words and phrases or state certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including but not limited to: the ability of the issuer to obtain financing if required; the economy generally; consumer interest in the services and products of the Company; competition; and anticipated and unanticipated costs. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements except as may be required by applicable securities legislation. These forward-looking statements should not be relied upon as representing the Company’s views as of any date subsequent to the date of this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.