



Management's Discussion & Analysis

For the three and nine month interim period ended
September 30, 2018

Vitalhub Corp.
480 University Avenue, Suite 1001, Toronto, ON M5G 1V2

GENERAL INFORMATION

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, 2018 and updates our MD&A for the fiscal year 2017. The information contained herein should be read in conjunction with the Financial Statements and Auditor's Report for fiscal 2017 and the unaudited interim condensed consolidated financial statements ("Financial Statements") for the three and nine months ended September 30, 2018.

The Company prepares its consolidated 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 consolidated financial statements have been prepared in accordance with IFRS except for certain "Non-IFRS Measures" on page 15 of this MD&A.

All currency amounts in this MD&A are expressed in Canadian dollars, unless specified otherwise.

COMPANY PROFILE

Based in Toronto, Ontario, Vitalhub and its subsidiaries develop and support web, mobile, electronic healthcare record solutions and blockchain technology to create disruptive SaaS (software as a service) based healthcare applications that solve industry-wide problems. Vitalhub's aim is to create high-value, secured solutions that enable broad interoperability among existing health data systems. Vitalhub is primarily focused on working with organizations in the Mental Health and Long-Term Care space, to further extend organization's applications across the continuum of care, powered by the security, efficiency and trust of Blockchain technology.

The Company has a robust two-pronged growth strategy, targeting organic growth opportunities within its product suite, and pursuing an aggressive M&A plan. The Company delivers its suite of products to its 200+ customers across North America.

Vitalhub's original 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.

COMPANY HIGHLIGHTS

- **Revenue** for the three months ended September 30, 2018 was \$2,118,093, representing an increase of 1224.9% over revenues of \$159,874 in the same period last year, and an increase of 14.1% over Q2 revenues of \$1,856,446. Revenue for the nine months ended September 30, 2018 was \$6,897,929, representing an increase of 1525.3% over revenues of \$424,402 in the same period last year. This increase is primarily a result of acquisitions and the inclusion of \$1,613,362 of perpetual license revenue from a customer for the HI Next software in the period.
- **EBITDA** (defined as earnings before interest, taxation, depreciation and amortization) for the three months ended September 30, 2018 was \$155,794 compared to EBITDA of (\$562,991) in Q3/2017, and (\$462,780) in Q2/2018. For the nine months ended September 30, 2018, EBITDA was \$504,107 compared to (\$1,366,259) in the same period last year. EBITDA is a non-IFRS measure.
- **Adjusted EBITDA** (defined as earnings before interest, taxation, depreciation, amortization, and share based compensation) for the three months ended September 30, 2018 was \$296,403 compared to adjusted EBITDA of (\$559,437) in Q3/2017, and \$20,691 in Q2/2018. For the nine months ended September 30, 2018, adjusted EBITDA was \$1,067,969 compared to (\$1,279,060) in the same period last year. Adjusted EBITDA is a non-IFRS measure.
- **The Company defines Annualized Contract Value (“ACV”) of recurring revenue as the contracted annual renewable software license fees and maintenance services.** The ACV of recurring revenue at September 30, 2018 was \$4,273,773 as compared to \$4,010,706 at June 30, 2018, an increase of 6.5%. ACV is a non-IFRS measure.
- **On July 17, 2018, the Company announced the sale of the Vitalhub Long-Term Care Solution to the Senior’s Services division of the Region of Waterloo.** This marks the product’s first sale to a municipally operated, public long-term care facility and our fourth sale to date. The Region of Waterloo operates Sunnyside Home, a 263-bed long term care facility located in the Stanley Park area of Kitchener.
- **On July 31, 2018, the Company announced the sale of the B Care Electronic Health Record (“EHR”) to support William Osler Health System’s (“Osler”) cardiac care program.** This sale follows a successful response to a Request for Proposal issued by Osler to find an Electronic Health Record flexible enough to meet the workflow requirements of its Pacemaker Clinic. Osler is a hospital system that serves 1.3 million residents of Brampton, Etobicoke, and surrounding communities within the Central West Local Health Integration Network.
- **On August 21, 2018, the Company announced the sale of the TREAT EHR solution to Stella’s Place, a Toronto-based young adult mental health agency, and a Reconnect Community Health Services (“Reconnect”) affiliate.** At present, the TREAT EHR solution has only been implemented across 15% of Reconnect's affiliate network, representing a significant opportunity to further increase penetration of the product across the mental health services space.
- **On September 28, 2018, the Company completed its fourth acquisition to date through the purchase of Roxy Software Inc. (“Roxy”).** Roxy provides “Pirouette” a web-based software solution that helps manage programs, workload, and data more effectively. Roxy had approximately \$288,000 in revenue in its last fiscal year.

SUMMARY OF OPERATING RESULTS

This report analyses the results for the three and nine month period ended September 30, 2018, with comparisons to the same periods for the prior period. The Financial Statements for the period ended September 30, 2018 form an integral part of this Management's Discussion and Analysis. The Financial Statements can be found at www.sedar.com.

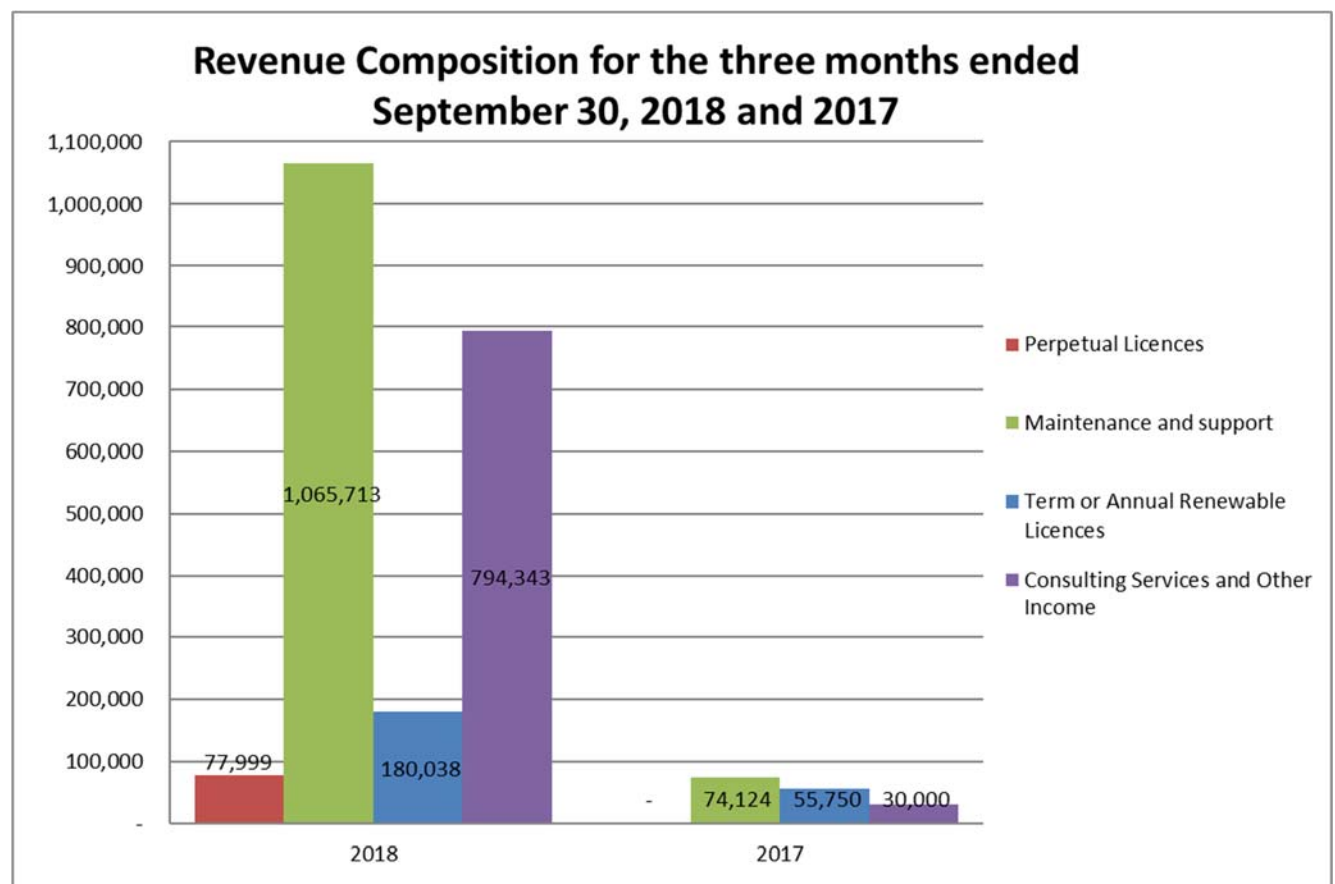
	Three months ended September 30 2018 \$	Three months ended September 30 2017 \$	% Change	Nine months ended September 30 2018 \$	Nine months ended September 30 2017 \$	% Change
Revenues	2,118,093	159,874	1224.9%	6,897,929	424,402	1525.3%
Cost of sales	508,708	25,500	1894.9%	1,292,621	37,000	3393.6%
General and administrative expenses	594,905	457,015	30.2%	1,923,317	889,571	116.2%
Sales and marketing expenses	187,219	46,685	301.0%	682,083	135,935	401.8%
Research and development expenses	516,718	190,111	171.8%	1,917,865	639,784	199.8%
Depreciation and amortization	352,925	489	72105.3%	1,053,524	1,468	71676.7%
Stock based compensation	140,609	3,554	3856.4%	250,610	87,199	187.4%
Acquisition, restructuring and related expenses	-	-	0.0%	313,252	-	100.0%
Foreign currency loss	14,140	-	100.0%	14,074	1,172	1101.1%
Interest expense	115,772	6	1789272.6%	337,163	764	44030.7%
Net loss	(293,434)	(563,486)		(749,864)	(1,368,491)	
Weighted average number of shares outstanding - basic and diluted	130,259,755	41,110,405		126,280,649	36,693,797	

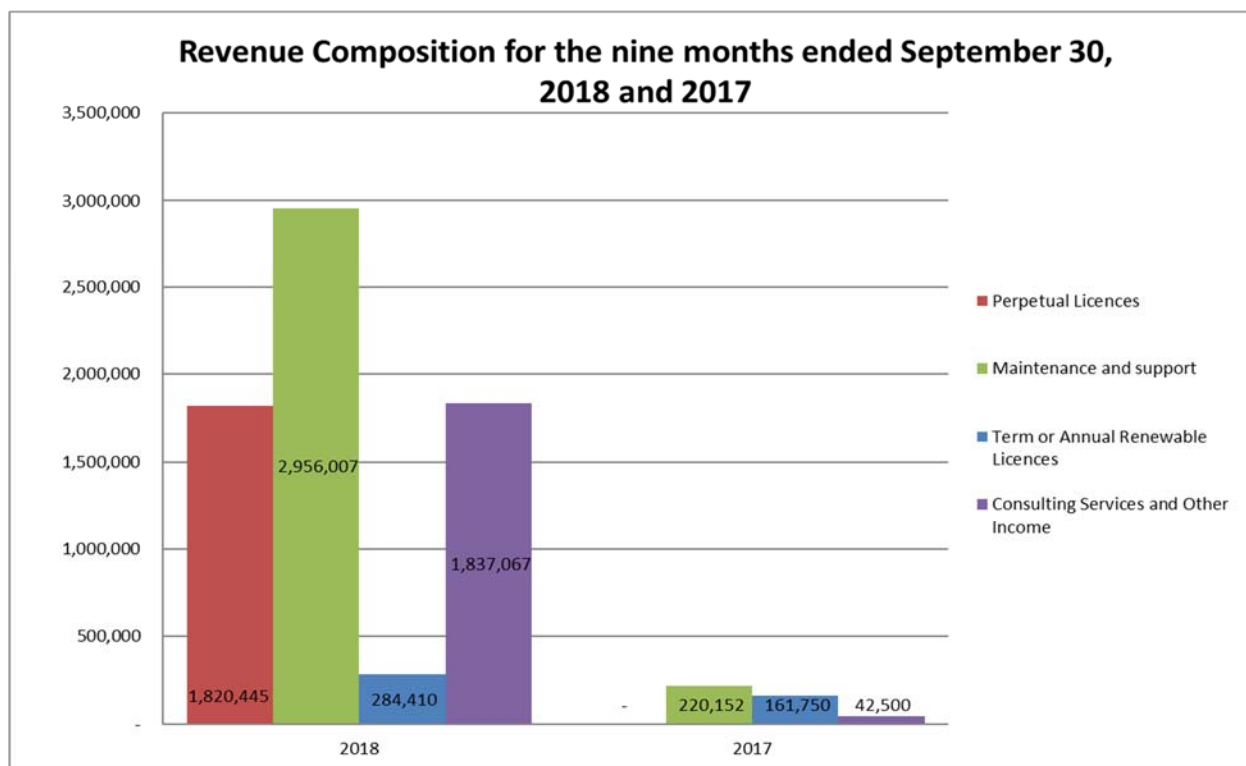
Types of Revenue

The Company generates revenue from the sale of perpetual and annual renewable software licenses, maintenance and support and professional services. Certain agreements provide for the delivery of application software and continuing post contract services, such as maintenance and support for the application software sold.

For the three months ended September 30, 2018, the Company generated total revenue of \$2,118,093 representing an increase of 1224.9% over revenue of \$159,874 for the same period last year. For the nine month period the Company's revenue increased by 1525.3% from \$424,402 to \$6,897,929. This increase is primarily a result of the acquisitions completed in the period and the inclusion of such revenues which include \$1,613,362 of perpetual license revenue sold to a customer for the HI Next software in the period, the remaining \$691,766 of professional services work related to this sale has been deferred.

Revenue Composition





Recurring Revenue:

Recurring revenue includes term or annual renewable software license fees and maintenance services. Recurring revenue comprised of 59% or \$1,245,751 of total revenue for the three months ended September 30, 2018 (2017 - 81% or \$129,874) and 47% or \$3,240,417 of total revenue for the nine months ended September 30, 2018 (2017 - 90% or \$381,902). Recurring revenue is a non-IFRS measure.

Perpetual software licences:

Perpetual software licences are accounted for as sales of products. Revenue from the license of distinct software is recognized at the time that the customer has a perpetual right to use the software freely and the Company has no remaining obligations to perform after delivery of the software. The revenue from these products is recognized when the Company has transferred control to the customer. These conditions generally are met when the application software has been delivered.

Revenue from perpetual software licences for the three months ended September 30, 2018 was \$77,999 compared to \$nil for the same period last year. For the nine months ended September 30, 2018, revenue from perpetual software licences was \$1,820,445 compared to \$nil revenue for the same period last year. This increase is primarily a result of \$1,613,362 of perpetual license revenue sold to a customer for the HI Next software in the period.

Term and annual renewable software licenses:

Term and annual renewable software licenses include the right to use the software for a year, technical support and maintenance services. These agreements are accounted for as royalties, as the customer only has the right to use the software for a specified period of time. These services are similar in substance to a subscription, as the Company does not sell one-year licences without technical support and maintenance services, and the revenue is recognized ratably over the term of the agreement from the date the licence term commences.

Revenue from term annual renewable software licences for the three months ended September 30, 2018 was \$180,038 an increase of 222.9% compared to revenue of \$55,750 for the three months ended September 30, 2017. For the nine months ended September 30, 2018, revenue was \$284,410, representing an increase of 75.8% from revenue of \$161,750 in the same period last year.

Post contract service maintenance and support services:

Post contract maintenance (“PCS”) and support revenue consists of fees charged for customer support on software post-delivery. These arrangements include an indeterminable number of acts with revenue from post contract services being recognized ratably over the term of arrangement. Revenue from software-as-a-service (“SaaS”) arrangements, which allows customers to use hosted software over a term without taking possession of the software, are provided on a subscription basis. Revenue from the SaaS subscription, which includes the hosted software and maintenance is recognized ratably over the term of the subscription.

Revenue from PCS maintenance and support and SaaS services for the three months ended September 30, 2018 was \$1,065,713 representing a 1337.7% increase from revenue of \$74,124 for the same period last year. Revenue for the nine months ended September 30, 2018 increased 1242.7% from \$220,152 to \$2,956,007. These increases are the result of the acquisitions completed in the period and inclusion of those revenues.

Consulting, professional services and other income:

Consulting and professional services revenue includes installation, implementation, training and customization of software which is recognized by the stage of completion of the performance obligation determined using the percentage of completion method based either on the achievement of contractually defined milestones or based on labour hours.

Revenue from consulting, professional services and other for the three months ended September 30, 2018 was \$794,343, compared to \$30,000 for the same period last year, representing an increase of 2547.8%. For the nine months ended September 30, 2018, revenue was \$1,837,067 compared to \$42,500 for the same period last year, representing a 4222.5% increase. These increases are the result of the acquisitions completed in the period and inclusion of those revenues.

Annualized contract value:

The Company defines annualized contract value (“ACV”) of recurring revenue as the contracted renewable software license fees and maintenance service. As the full value of such contracts is recognized over 12 months, the growth in this value is an important metric for the Company. This is a non-IFRS measure. The ACV of recurring revenue at September 30, 2018 with existing customers was \$4,273,773 as compared to \$4,010,706 at June 30, 2018, an increase of 6.5%. The growth in ACV of recurring revenue is due to several new contracts signed in the quarter and the acquisition of Roxy Software Inc.

EXPENSES**Cost of sales**

Cost of sales expense consists of commissions, hosting, royalties and employee salaries. Cost of sales for the three months ended September 30, 2018 were \$508,708 versus \$25,500 in the previous period. For the nine months ended September 30, 2018 cost of sales were \$1,292,621 as compared to \$37,000 for the same period last year. This increase is primarily attributable to the costs to earn services revenue.

General and administrative expenses

General and administrative expenses consist of employee salaries related to finance and administration personnel, professional fees (legal, audit, tax and consultants), public company expenses (listing fees and related expenses), and overhead expenses associated with maintaining the Company’s office and premises. For the three months ended September 30, 2018 general and administrative expenses increased by 30.2% from \$457,015 in the previous period to \$594,905. For the nine months ended September 30, 2018, general and administrative expenses increased by 116.2% from \$889,571 in the previous period to \$1,923,317. This increase is due to several factors; investment in investor relations, additions to the finance team and the addition of general and administrative expenses of the recent acquisitions made. As a percentage of revenue, general and administrative expenses are 28% and 28% for three and nine months ended September 30, 2018, compared to 286% and 210% for the prior year periods.

Sales and marketing expenses

Sales and marketing expenses include the salaries, benefits, and travel costs of our direct sales team, and advertising and marketing costs. For the three months ended September 30, 2018, sales and marketing expenses were \$187,219 compared to \$46,685 in the previous period, representing a 301.0% increase. For the nine months ended September 30, 2018, sales and marketing expenses were \$682,083 compared to \$135,935 in the previous period, representing a 401.8% increase. This increase is primarily due to increased marketing efforts and additions to the sales team. As a percentage of revenue sales and marketing expenses are 9% and 10% of revenue for the three and nine months ending September 30, 2018 compared to 29% and 32% for the prior year period

Research and development expenses

Research and development (“R&D”) expenses consist of the salaries, benefits, travel and training costs of our R&D team. For the three months ended September 30, 2018 R&D expenses were \$516,718 representing a 171.8% increase over expenses of \$190,111 in the previous period. For the nine months ended September 30, 2018 R&D expenses were \$1,917,865 representing a 199.8% increase over expenses of \$639,784 in the previous period. This increase is due to additional staff and the result of the inclusion of the recent acquisitions research and development costs. For the three and nine months ended September 30, 2018, research and development expenses as a percentage of revenue were 24% and 28% compared to 119% and 151% from the prior year periods.

Depreciation and amortization

Depreciation consists of depreciation and amortization on the Company’s tangible and intangible assets which include computers, furniture and fixtures, leasehold improvements, acquired technologies and customer relationships. Depreciation and amortization for the three months ended September 30, 2018 was \$352,925 (nine months ended - \$1,053,524) compared to \$489 (nine months ended - \$1,468) in the previous period. The increase is due to the addition of tangible and intangible assets from the completed acquisitions in the period and the related amortization.

Stock based compensation

Stock based compensation expense was \$140,609 for the three months ended September 30, 2018 compared to \$3,554 in the previous period. For the nine month period, stock based compensation was \$250,610 compared to \$87,199 in the same period last year.

Acquisition, restructuring and related expenses

Acquisition, restructuring and related expenses consist of costs incurred to acquire and integrate the businesses purchased as well as expenses incurred to realign parts of the business. For the three months ended September 30, 2018, the Company did not incur any such costs. For the nine month period ended September 30, 2018, \$313,252 (September 30, 2017 - \$nil) of expenses were recognized in connection with acquisitions completed in the period, with the majority of the costs relating to employee restructuring that was completed to right size the Company.

Interest expense

Interest expense consists of bank charges and interest related to loans payable, debentures and contingent consideration. For the three months ended September 30, 2018, \$115,772 (September 30, 2017 – \$6) of expenses were recognized. For the nine months ended September 30, 2018, \$337,163 (September 30, 2017 - \$764) of expenses were recognized. This increase is due to interest paid on loans during the period and interest accretion on the debentures and contingent consideration.

Results of Operations

The following table highlights selected financial information for the eight consecutive quarters ended September 30, 2018:

	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4
Revenues (\$)	2,118,093	1,856,446	2,923,390	721,989	159,874	135,875	128,653	122,329
Net income (loss) (\$)	(293,434)	(462,775)	6,350	(1,012,369)	(563,486)	(439,792)	(365,213)	(7,083,562)
EBITDA (\$)	155,794	(33,315)	381,628	(953,544)	(562,991)	(439,170)	(364,098)	(6,838,701)
Adjusted EBITDA (\$)	296,403	20,691	750,875	(769,937)	(559,437)	(435,616)	(284,007)	(6,909,050)
Net (loss) income per share - basic and diluted (\$)	(0.00)	(0.00)	0.00	(0.01)	0.01	0.01	0.01	0.00

- Revenue for the three months ended September 30, 2018 was \$2,118,093, compared to revenue of \$1,856,446 in the previous quarter.
- For the three months ended September 30, 2018, the Company had a net loss of \$293,434 on revenue of \$2,118,093 versus a net loss of \$563,486 on revenue of \$159,874 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, 2018 was \$155,794 as compared to EBITDA of (\$562,991) for the same period last year. For the nine months ended September 30, 2018 EBITDA was \$504,107 as compared to EBITDA of (\$1,366,259) 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, Share Based Compensation expense, and acquisition, restructuring and related expenses, a non-IFRS measure, for the three months ended September 30, 2018 was \$296,403 as compared to (\$559,437) for the same period last year. For the nine months ended September 30, 2018 adjusted EBITDA was \$1,067,969 as compared to (\$1,279,060) for the same period last year, as described in the Reconciliation and Definition of Non-IFRS Measures section of this MD&A.

OVERVIEW OF FINANCIAL POSITION

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

	September 30, 2018	December 31 2017	\$ Change
Cash	3,035,266	4,543,281	(1,508,015)
Trade and other receivables	639,953	376,895	263,058
Customer option receivable	1,957,907	-	1,957,907
Intangibles and goodwill	12,100,319	3,651,389	8,448,930
Accounts payable and accrued liabilities	1,482,096	961,933	520,163
Loan payable	532,070	184,680	347,390
Deferred revenue	2,036,153	799,068	1,237,085
Debentures	1,744,923	1,626,142	118,781
Contingent consideration	1,957,907	-	1,957,907
Deferred tax liability	1,197,119	65,290	1,131,829

- **Cash** was \$3,035,266 a decrease of \$1,508,015 from December 31, 2017. Refer to Liquidity and Capital Resources for a discussion of the changes in cash.
- **Trade and other receivables** were \$760,919, an increase of \$384,024 this is due primarily to the business acquisitions completed in the period and the inclusion of their trade and other receivables.
- **Intangibles and goodwill** are a direct result of the acquisitions completed in the period and the fair value of acquired customer relationships, software platforms and resulting goodwill.
- **Accounts payable and accrued liabilities** were \$1,482,096, an increase of \$520,163, this is due primarily to the inclusion of the accounts payable and accrued liabilities of the businesses acquired in the period.
- **Deferred revenues** were \$2,157,119, representing an increase of \$1,358,051 from December 31, 2017 which is a direct result of the inclusion of acquisitions in the period.
- **Debentures** resulted from an issuance in December 2017 and the **Loan payable** relates to loans assumed upon the acquisitions in the nine month period ending September 30, 2018.
- **Customer option receivable and contingent consideration** resulted from the acquisition of HI Next and an option exercised by a customer. This option has been recorded as an option receivable and a liability at its estimated fair value. This contingent consideration is to be paid over a two-year period. The balance at September 30, 2018 reflects the initial value on closing less the cash payments made and accretion during the nine months ended September 30, 2018.
- **Deferred tax liability** is a result the acquisitions completed by the Company. The increase is due to the Company completing three acquisitions in the current period.

FINANCIAL CONDITION

Obligations and Commitments

COMMITMENTS

The Company's contractual obligations and commitments consist of its premise leases located in North York and Toronto, ON. The leases provide for payments of utilities, property taxes and operating costs. The Company is also committed under operating lease payments for various consulting services.

In addition, the Company has a recognized a contingent consideration with an estimated fair value of \$3,378,599. The contingent consideration is to be paid over a two-year period by a customer of HI Next who exercised an option following closing of the acquisition which grants such customer a nonexclusive, transferable, perpetual, irrevocable, worldwide and royalty free license of the HI Next software. The additional consideration is contingent upon the customer making such payments over the next year with the last payment due and payable on December 31, 2019. The contingent consideration has been recorded as a liability at its estimated fair value. As at September 30, 2018, the fair value of the liability was \$1,957,907 which reflects the initial value on closing less the estimated fair value of cash payments made and accretion in the period.

Liquidity and Capital Resources

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	Nine months ended September 30 2018 \$	Nine months ended September 30 2017 \$	Change \$
Net loss	(749,864)	(1,368,491)	618,627
Items not affecting cash	1,267,522	88,667	1,178,854
Net change in non-cash working capital	(1,756,078)	(470,958)	(1,285,120)
Cash used in operating activities	(1,238,420)	(1,750,782)	512,362

- The Company had a net loss of \$749,864 for the nine months ended September 30, 2018 compared to a net loss of \$1,368,491 for the same period last year, as described in the Operating Results section of this MD&A.
- Changes in non-cash working capital increased to \$1,756,078 in comparison to the prior nine month period. This is primarily due to an increase in accounts receivable and the inclusion of the current period acquisition balances.

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

	Nine months ended September 30 2018 \$	Nine months ended September 30 2017 \$	Favourable (Unfavourable) \$
Cash used in investing activities	(565,733)	(5,722)	(560,011)

Cash used in investing activities relates to the acquisition of businesses in the period and other investments in computer equipment, furniture and fixtures and leasehold improvements.

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

	Nine months ended September 30 2018 \$	Nine months ended September 30 2017 \$	Favourable (Unfavourable) \$
Cash provided by (used in) financing activities	284,836	2,842,332	(2,557,496)

Cash provided by financing activities was \$284,836 for the nine months ended September 30, 2018 compared to \$2,842,332 for the same period in the prior year. The difference is mainly due a brokered private placement completed in the prior nine month period, and proceeds from the exercise of warrants less principal payments on loans in the current period.

CREDIT FACILITIES

The Company has an agreement with the Royal Bank of Canada ("RBC") to provide a \$300,000, revolving demand facility, bearing interest at RBC's prime rate plus 1%. The aggregate borrowings outstanding by way of letters of credit and letters of guarantee cannot exceed \$75,000 at any time. The facility is secured by a general security agreement with a first ranking security interest over all property of the Company and guarantees and postponements of claim from the Company and subsidiaries of the Company.

The Company has a second agreement with RBC to provide a \$300,000 revolving demand facility, bearing interest at RBC's prime rate plus 3%. The facility is secured by a general security agreement with a first ranking security interest over all property of the Company and guarantees and postponements of claim from the Company and subsidiaries of the Company.

As at September 30, 2018, no amounts have been drawn on the credit facilities.

LOANS PAYABLE

The Company assumed a loan from the acquisition of BSharp with The Business Development Bank of Canada ("BDC") in the amount of \$184,680. The loan bears interest at BDC's floating base rate plus 3% and is due September 30, 2022. The loan is repayable in 1 monthly installment of principal of \$3,328 and 59 monthly installments of principal of \$3,240 plus interest, beginning October 31, 2017. The loan is secured by a general security agreement with a second ranking security interest over all property of the Company.

The Company assumed two loans from the acquisition of HI Next, the first one with RBC which bears interest at RBC's prime rate plus 3% and is due October 31, 2019. The loan is repayable in monthly installments of principal of \$6,111 plus interest, beginning November 30, 2016. This loan is secured by a general security agreement with a first ranking security interest over all property of the Company, guarantees and postponements of claim by the Company and subsidiaries of the Company, and a guarantee and postponement of claim by the Health Technology Exchange ("HTX").

The loan assumed with HTX is unsecured and repayable in accordance with the payment plan stipulated in the agreement, to a maximum principal amount of \$380,372, plus accrued interest of \$64,730. The loan matures October 31, 2019.

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 consolidated 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, 2017. 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 make estimates include: the useful life of and value of assets, the valuation allowance of income tax accounts, the recognition of revenue and accrued liabilities.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter, there were no changes that are likely to materially affect the internal control over the Company's financial reporting.

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 Company defines annualized contract value of recurring revenue as the contracted renewable software license fees and maintenance service. As the full value of such contracts is recognized over 12 months, the growth in this value is an important metric for the Company.

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

Three months ended September 30 2018	\$	Term or Annual Renewable (Licences and	Maintenance and support	Consulting Services and other	Perpetual License	Ending Balance as per Financial Statements
Term licences, maintenance and support		180,038	1,065,713	-	-	1,245,751
Perpetual Licences		-	-	-	77,999	77,999
Services and other		-	-	794,343	-	794,343
Ending balance as per MD&A		180,038	1,065,713	794,343	77,999	2,118,093

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

Nine months ended September 30 2018	\$	Term or Annual Renewable (Licences and	Maintenance and support	Consulting Services and other	Perpetual License	Ending Balance as per Financial Statements
Term licences, maintenance and support		284,410	2,956,007	-	-	3,240,417
Perpetual Licences		-	-	-	1,820,445	1,820,445
Services and other		-	-	1,837,067	-	1,837,067
Ending balance as per MD&A		284,410	2,956,007	1,837,067	1,820,445	6,897,929

Nine months ended September 30 2017	\$	Term or Annual Renewable (Licences and	Maintenance and support	Consulting Services and other	Perpetual License	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

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 2018 \$	Three months ended September 30 2017 \$	Nine months ended September 30 2018 \$	Nine months ended September 30 2017 \$
Net loss	(293,434)	(563,486)	(749,864)	(1,368,491)
Add: Interest	115,772	6	337,163	764
Add: Depreciation and amortization	352,925	489	1,053,524	1,468
Add: Tax expense (recovery)	(19,469)	-	(136,716)	-
EBITDA	155,794	(562,991)	504,107	(1,366,259)

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 2018 \$	Three months ended September 30 2017 \$	Nine months ended September 30 2018 \$	Nine months ended September 30 2017 \$
EBITDA as above	155,794	(562,991)	504,107	(1,366,259)
Add: Stock based compensation expense	140,609	3,554	250,610	87,199
Add: Acquisition, restructuring and related expenses	-	-	313,252	-
Adjusted EBITDA	296,403	(559,437)	1,067,969	(1,279,060)

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 may 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 as well as subsidiaries in foreign countries, a change in the foreign currency exchange rate could adversely affect the company's earnings.

For the period ended September 30, 2018, approximately 20% 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.