



Management's Discussion & Analysis

For the three and nine months ended
September 30, 2019 and 2018

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

GENERAL INFORMATION

This Management's Discussion and Analysis ("MD&A") is current as of November 21, 2019 and comments on the financial condition and operations of Vitalhub Corp. ("Vitalhub", or the "Company"), for the three and nine months ended September 30, 2019 and 2018 and updates our MD&A for the fiscal year 2018. The information contained herein should be read in conjunction with the Financial Statements and Auditor's Report for fiscal 2018 and the interim condensed consolidated financial statements ("Financial Statements") for the three and nine months ended September 30, 2019 and 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 interim condensed consolidated financial statements have been prepared in accordance with IFRS except for certain "Non-IFRS Measures" on page 16 of this MD&A.

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

COMPANY PROFILE

Vitalhub and its subsidiaries develop and supports mission-critical healthcare information systems in the Mental Health (Child, Youth and Adult), Long Term Care, Community Health Service, Home Health and Hospital sectors. VitalHub technologies include Blockchain, Patient Flow, Mobile and Web-Based Assessment and EHR solutions.

VitalHub's aim is to create high-value, secured solutions enabling interoperability among existing health data systems. VitalHub is primarily focused on working with organizations in the Mental Health, Acute and Long-Term Care space, to further extend organizations' 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. Currently, VitalHub serves 200+ customers across North America. VitalHub is based in Toronto, Canada, with an offshore development hub in Sri Lanka. The Company is publicly traded on the TSX Venture Exchange under the symbol "VHI".

COMPANY HIGHLIGHTS

- **Revenue** for the three months ended September 30, 2019 was \$2,395,662 as compared to \$2,118,093 for the three months ended September 30, 2018, an increase of \$277,569 or 13.1%. Revenue for the nine months ended September 30, 2019 was \$7,667,264 as compared to \$6,897,929 (which includes a one-time perpetual license fee of \$1,613,362) for the nine months ended September 30, 2018, an increase of \$769,335 or 11.2%. Excluding the one-time perpetual license fee of \$1,613,362, revenue for the nine months ended September 30, 2019 increased by \$2,382,697 or 45.1%.
- **EBITDA** (defined as earnings before interest, taxation, depreciation and amortization) for the three months ended September 30, 2019 was \$445,290 as compared to \$155,794 for the three months ended September 30, 2018, an increase of \$299,496. EBITDA for the nine months ended September 30, 2019 was \$1,349,938 as compared to \$504,107 for the nine months ended September 30, 2018, an increase of \$845,831. EBITDA is a non-IFRS measure.
- **Adjusted EBITDA** (defined as earnings before interest, taxation, depreciation, amortization, share based compensation, and acquisition related expenses) for the three months ended September 30, 2019 was \$523,669 as compared to \$296,403 for the three months ended September 30, 2018, an increase of \$227,266. Adjusted EBITDA for the nine months ended September 30, 2019 was \$1,732,966 as compared to \$1,067,969 for the nine months ended September 30, 2018, an increase of \$664,997. Adjusted EBITDA is a non-IFRS measure.
- **Adjusted EBITDA as a percentage of revenue** for the three months ended September 30, 2019 was 22% as compared to 14% for the three months ended September 30, 2018. For the nine months ended September 30, 2019 adjusted EBITDA as a percentage revenue was 23% as compared to 15% for the nine months ended September 30, 2018. Adjusted EBITDA as a percentage revenue 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, 2019 was \$5,579,377 as compared to \$5,321,119 at June 30, 2019 an increase of 5%. ACV is a non-IFRS measure.
- **The Company defines acquisition revenue as gross revenues of the companies acquired at the time of acquisition and organic revenue as revenue over and above the acquisition revenues.** For the three months ended September 30, 2019, organic revenue represented 33% of total revenue (Q3/2018 – 30%, Q4/2018 – 29%, Q1/2019 – 35%, Q2/2019 – 44%), with the remaining 67% representing acquisition revenue (Q3/2018 – 70%, Q4/2018 – 71%, Q1/2019 – 65%, Q2/2019 – 56%). Acquisition and organic revenue growth are non-IFRS measures.
- **On September 30, 2019, the Company redeemed its 12% debentures** under an early redemption right with a total payment amounting to \$2,396,520, which included the principal amount of \$2,219,000, a 5% penalty fee of \$110,950 and all accrued and unpaid interest to date of \$66,570, saving the Company approximately \$204,000 in interest payments. During the nine-months ended September 30, 2019, the Company recognized a gain on the early redemption of \$159,851, additional accretion expense of \$306,919 for a total of \$456,785 and \$310,120 in interest expense.
- **During the quarter, 5,465,000 warrants were exercised for cash proceeds of \$983,700.** These warrants were issued under a brokered private placement in September 2017, the remaining 25,828,044 warrants expired September 13, 2019.

- **During the quarter the Company entered the Australian market, having signed a 5 year State-wide licensing agreement for the Oak Group's evidence-based decision-support acuity management tool with the Tasmanian Health Service ("Tasmania").** This deal marks the first Oak Group product of its kind to enter the Australian market and includes recurring revenue over the 5 year term of approximately \$1,065,900 CAD (\$1,182,600 AUD), implementation services of \$23,118 CAD (\$25,650 AUD) per instance, and approximately \$54,845 CAD (\$60,850 AUD) in professional services revenue.
- **The Company went live with it's first TREAT client management system with the Province of Nova Scotia's Department of Community Services ("DCS"), (as per the press release dated November 5, 2019), which has contributed to approximately 4% of the Company's ACV.** With the success of this first phase of deployment, DCS and VitalHub Corp. expect to complete the remaining Access, Family Visitation and Transportation services implementation of the TREAT client management solution across all offices in early 2020. Over the coming three years the Company's TREAT client management software will be rolled out to support all three of the DCS's core services: Employment Support and Income Assistance, Child, Youth & Family Supports and the Disability Support Program.
- **Subsequent to the period, the Company entered into an agreement to acquire all of the issued and outstanding shares of Oculys Health Informatics Inc. ("Oculys"), which closed on November 21, 2019.** Oculys provides a real-time and predictive operational management system for hospitals. The company currently has 18 hospital customers located across Ontario and Manitoba. Oculys's revenue for the year ended March 31, 2019 was \$2,066,540 with \$1,559,177 being recurring in nature. Total consideration to be paid by the Company, after a closing net equity adjustment, is expected to be approximately \$4,227,000 (the "purchase price"). The purchase price is composed of a \$2,200,000 (the "share component") issuance of common shares of the Company ("common shares") and a cash payment (the "cash component") equal to the difference between the purchase price and the share component, which is estimated to be approximately \$2,027,000. The cash component includes \$1,585,805 to be paid to certain creditors of Oculys, with the remainder paid to shareholders of Oculys. The share component shall be composed of 12,222,222 common shares issued at a price of \$0.18 per share (the "share purchase price"). The Company has also agreed to certain additional cash payments to the shareholders of Oculys pursuant to an earn-out clause triggered on achievement of certain business milestones of Oculys in the proceeding two (2) year period. \$330,000 of the cash component will be subject to escrow, to be released twelve (12) months post-closing, subject only to reduction in the event the funds in escrow are required for an indemnity claim made by the Company, or any purchase price adjustment, in accordance with the agreement. In addition, seventy-five percent (75%) of the share component shall be held by the applicable escrow agent and released to the vendors in five (5) equal and consecutive semi-annual installments over a thirty (30) month period following the closing date of the acquisition. Epic Capital Management Inc. ("Epic"), a boutique investment and strategic consulting firm, acted as advisor to Oculys with respect to the acquisition. On closing, Epic will be paid a total work fee ("work fee") of \$247,500 which is satisfied by a \$99,000 cash payment and the issuance of 825,000 common shares at the share purchase price for an aggregate value of \$148,500. The work fee is paid by the shareholders of Oculys out of the cash component paid and share component issued thereto, respectively, on the closing of the acquisition, and does not represent an additional cost, payment, or share issuance from the Company.

SUMMARY OF OPERATING RESULTS

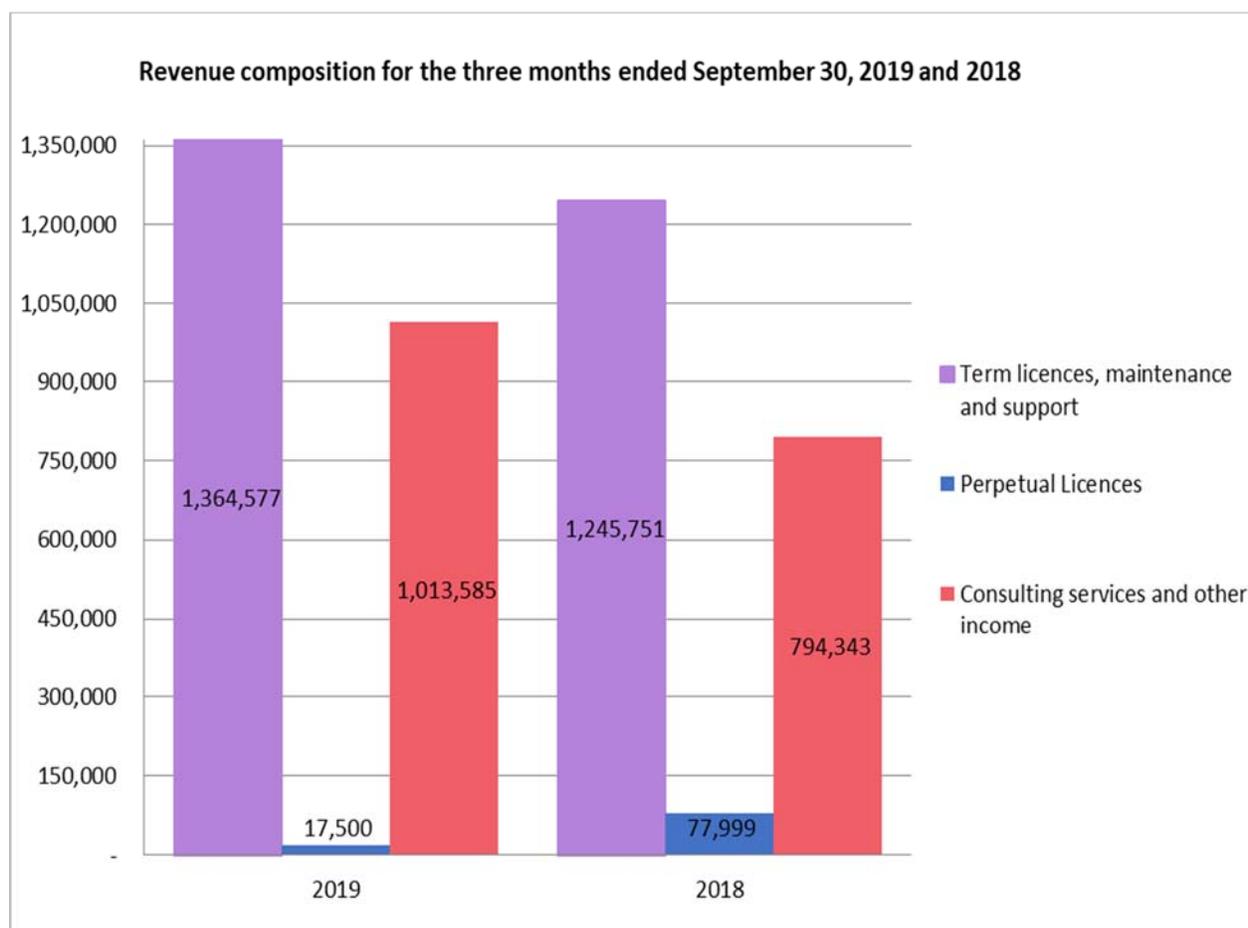
This report analyzes the results for the three and nine month periods ending September 30, 2019, with comparisons to the same prior periods. The Financial Statements for the period ended September 30, 2019 form an integral part of this Management's Discussion and Analysis. The Financial Statements can be found at www.sedar.com.

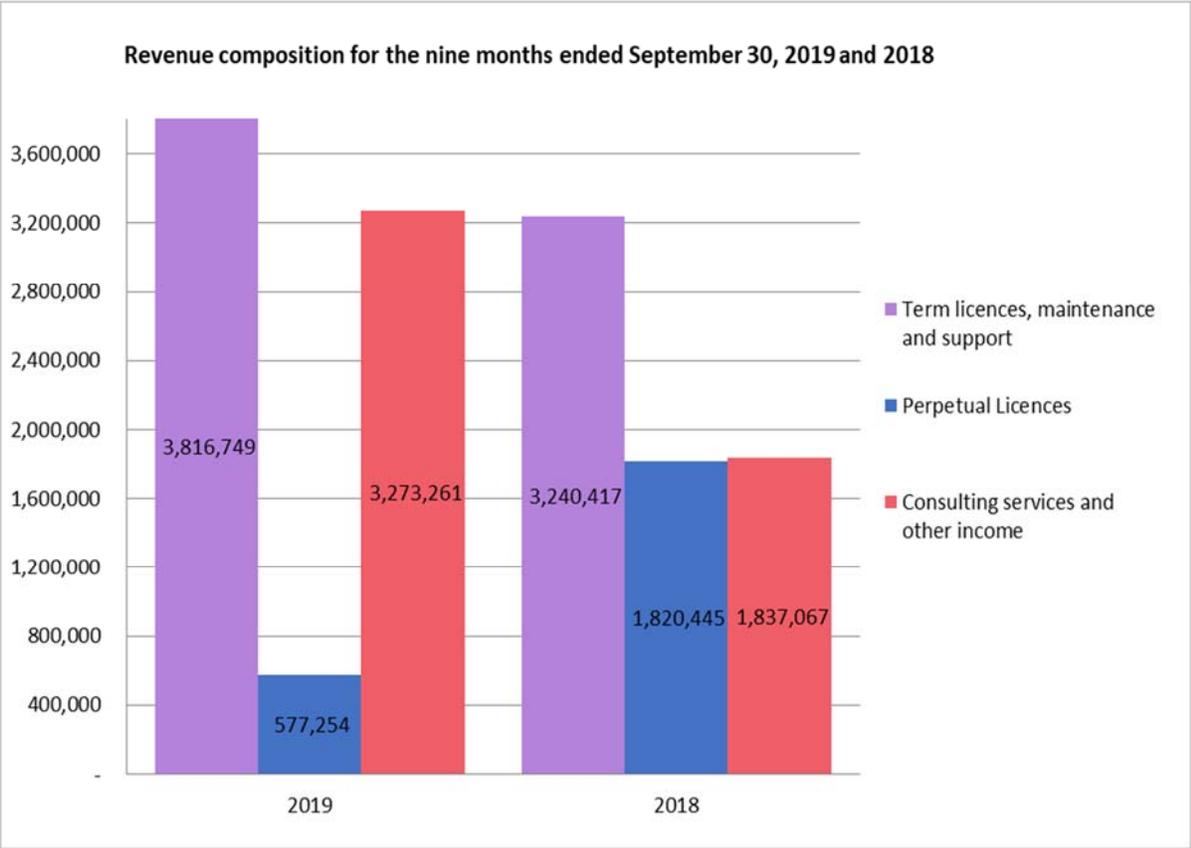
	Three months ended September 30, 2019 \$	Three months ended September 30, 2018 \$	% Change	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$	% Change
Revenues	2,395,662	2,118,093	13.1%	7,667,264	6,897,929	11.2%
Cost of sales	682,773	514,291	(32.8%)	2,099,662	1,300,547	(61.4%)
Gross Profit	1,712,889	1,603,802	6.8%	5,567,602	5,597,382	0.5%
General and administrative expenses	568,506	487,113	(16.7%)	1,802,254	1,607,644	(12.1%)
Sales and marketing expenses	179,696	188,413	4.6%	553,253	690,163	19.8%
Research and development expenses	622,503	617,733	(0.8%)	1,672,244	2,217,532	24.6%
Depreciation and amortization	411,998	352,925	(16.7%)	1,180,509	1,053,524	(12.1%)
Amortization on right-of-use assets	48,677	-	(100.0%)	146,308	-	(100.0%)
Stock based compensation	48,751	140,609	65.3%	131,231	250,610	47.6%
Acquisition, restructuring and related expenses	29,628	-	(100.0%)	251,798	313,252	19.6%
Foreign currency (gain) loss	(21,634)	14,140	253.0%	(61,604)	14,074	537.7%
Interest expense and accretion	528,753	115,772	(356.7%)	756,686	337,163	(124.4%)
Interest income from sublease	(583)	-	100.0%	(1,740)	-	100.0%
Interest expense from lease liabilities	13,634	-	(100.0%)	42,502	-	(100.0%)
Loss on right of use asset and lease liability	-	-	0.0%	27,869	-	(100.0%)
Loss on disposal of property, plant and equipment	-	-	0.0%	470	-	(100.0%)
Gain on redemption of debentures	(159,851)	-	100.0%	(159,851)	-	100.0%
Current income taxes	(40,494)	7,434	644.7%	(37,553)	7,434	605.1%
Deferred income taxes	(41,400)	(26,903)	(53.9%)	(111,000)	(144,150)	23.0%
Net loss	(475,295)	(293,434)		(625,774)	(749,864)	

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, 2019, the Company generated total revenue of \$2,395,662 representing an increase of 13.1% over revenue of \$2,118,093 for the same period last year. For the nine month period the Company's revenue increased by 11.2% from \$6,897,929 to \$7,667,264. This increase is primarily the result of new customer contracts signed in the nine month period and the completion of the Company's fifth acquisition in Q1 2019.





Perpetual software licences:

The Company sells on-premise software licenses on both a perpetual and specified-term basis. Revenue from the license of distinct software is recognized at the time that both the right-to-use the software has commenced and the software has been made available to the customer. 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, 2019 was \$17,500 compared to \$77,999 for the same period last year. For the nine months ended September 30, 2019, revenue from perpetual software licenses was \$577,254 compared to \$1,820,445 for the same period last year. The decrease for the nine month period is primarily a result of \$1,613,362 of perpetual license revenue sold to one customer for the HI Next software during Q1/2018.

Annual renewable software licenses and post contract maintenance and support:

Annual renewable software licenses include the right to access 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 access 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 rateably over the term of the agreement from the date the licence term commences.

Post contract maintenance 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 rateably 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 rateably over the term of the subscription.

Revenue from term licences, maintenance and support for the three months ended September 30, 2019 was \$1,364,577 an increase of 9.5% compared to revenue of \$1,245,751 for the three months ended September 30, 2018. For the nine months ended September 30, 2019, revenue was \$3,816,749 an increase of 17.8% compared to revenue of \$3,240,417 in the same period last year.

Consulting, professional services and other income:

Professional Services revenue including installation, implementation, training and customization of software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method noted above or as such services are performed as appropriate in the circumstances. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Company expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known. Other income consists of miscellaneous income such as grants and interest income which is recognized when received.

In addition, other income includes revenue related to the customer reimbursement of travel related expenses incurred during a project implementation where the Company is the principal in the arrangement. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced. Revenue from consulting, professional services and other for the three months ended September 30, 2019 was \$1,013,585, compared to \$794,343 for the same period last year, representing an increase of 27.6%. Revenue for the nine months ended September 30, 2018 increased 78.2% from \$1,837,067 to \$3,273,261. This increase is the direct result of increased business, primarily from the Province of Nova Scotia.

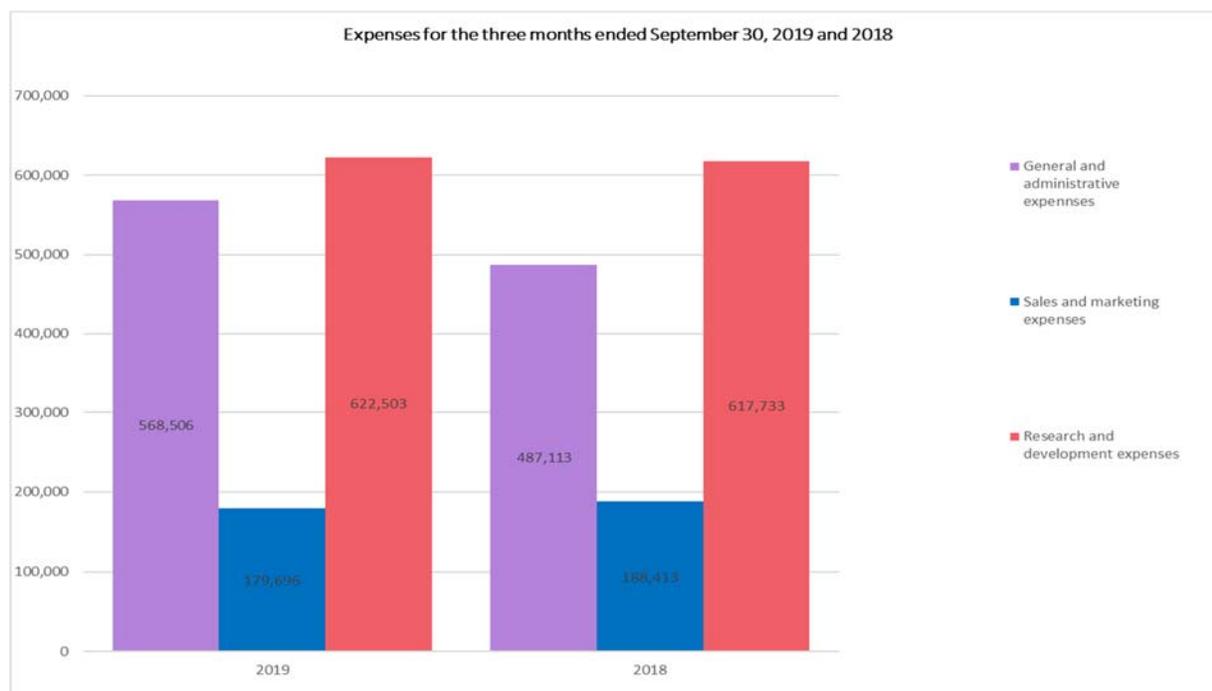
EXPENSES AND GROSS PROFIT

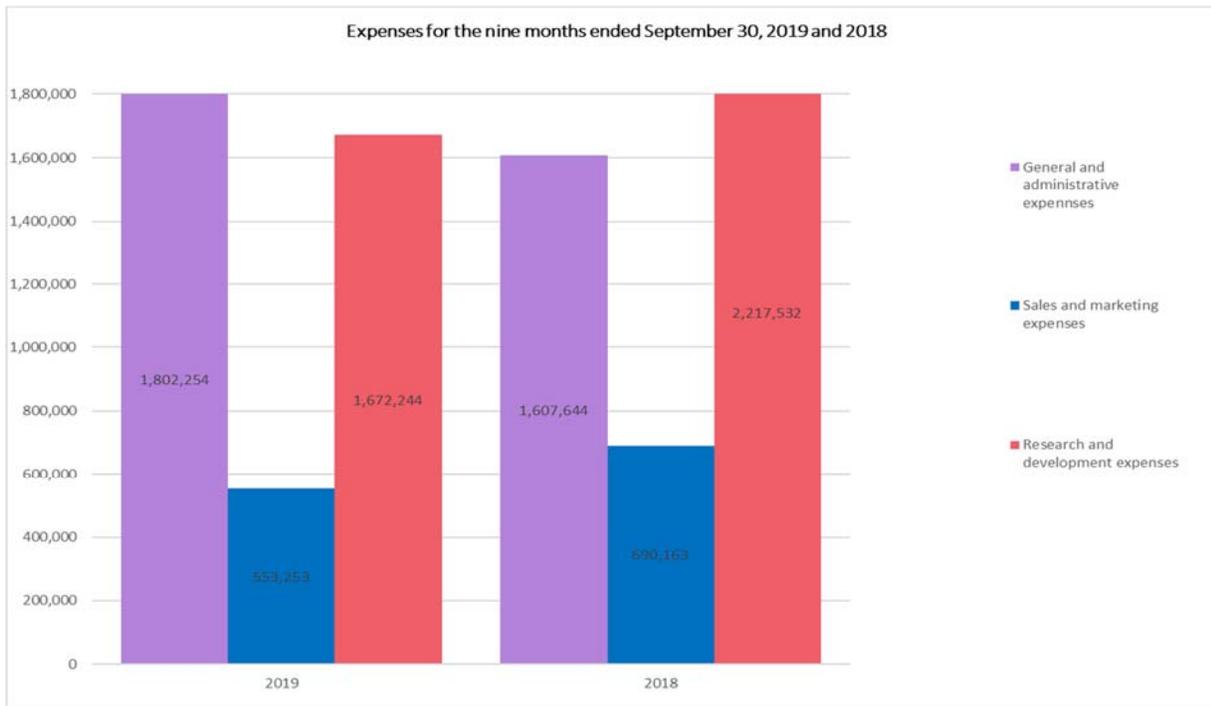
Cost of sales

Cost of sales expense consists of commissions, hosting, royalties and employee salaries for development and support staff. Cost of sales for the three months ended September 30, 2019 were \$682,773 versus \$514,291 in the previous period. For the nine months ended September 30, 2019 cost of sales were \$2,099,662 as compared to \$1,300,547 for the same period last year. This increase is primarily attributable to the increase in services revenue.

Gross profit

Gross profit for the three months ended September 30, 2019 was \$1,712,889, an increase of 6.8% as compared to \$1,603,802 in the prior period. For the nine months ended September 30, 2019 gross profit was \$5,567,602 as compared to \$5,597,382 in the prior period a 0.5% increase. As percentage of revenue gross profit was 71.5% for the current quarter as compared to 75.7% in Q3/2018. For the nine months ended September 30, 2019, gross profit as a percentage of revenue was 72.6% as compared to 81.1% for the same prior period. Gross profit and gross profit as a percentage of revenue changes are dependant upon the sales mix, with perpetual and term licences, and maintenance and support generating a higher margin then consulting 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, 2019 general and administrative expenses increased by 16.7% from \$514,291 in Q3 2018 to \$682,773, and by 12.1% from \$1,607,644 to \$1,802,254 for the nine months ended September 30, 2019. This increase is primarily due to the acquisition completed at the end of Q1/2019. As a percentage of revenue, general and administrative expenses are 24% and 24% for three and nine months ending September 30, 2019 (2018 - 23% and 23%).

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, 2019, sales and marketing expenses were \$179,696 compared to \$188,413 in the previous period, representing a 4.6% decrease. For the nine months ended September 30, 2019, sales and marketing expenses decreased by 19.8% from \$690,163 in the previous period to \$553,253. This decrease is primarily due to decreased consulting services required. As a percentage of revenue sales and marketing expenses are 8% and 7% of revenue for the three and nine months ending September 30, 2019 (2018 – 9% and 10%).

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, 2019 R&D expenses were \$622,503 representing a 0.8% increase over expenses of \$617,733 in the previous period. For the nine months ended September 30, 2019 R&D expenses were \$1,672,244 representing

a 24.6% decrease over expenses of \$2,217,532 in the previous period. This decrease is due to right sizing the department, as well as SRED recoveries received in the current and prior periods. For the three and nine months ended September 30, 2019, research and development expenses as a percentage of revenue were 26% and 22% (2018 – 29% and 32%).

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, and acquired technologies, brands and customer relationships due to acquisitions completed. Depreciation and amortization for the three and nine months ended September 30, 2019 was \$411,988 and \$1,180,509 (2018 - \$352,925 and \$1,053,524). Depreciation and amortization on intangible assets increases as acquisitions are completed due to the acquired intangible assets recognized.

Stock based compensation

Stock based compensation expense was \$48,751 for the three months ended September 30, 2019 compared to \$140,609 in the previous period. For the nine month period, stock based compensation was \$131,231 compared to \$250,610 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, 2019, acquisition, restructuring and related expenses were \$29,628 (2018 - \$nil). For the nine months ended September 30, 2019, acquisition, restructuring and related expenses were \$251,798 (2018 - \$313,252). This decrease is a result of fewer acquisitions completed in the current periods.

Interest and accretion expense

Interest and accretion expense consists of bank charges and interest related to loans payable, debentures and contingent consideration. For the three months ended September 30, 2019, \$528,753 (2018 – \$115,772) of expenses were recognized. For the nine months ended September 30, 2019, \$756,686 (2018 – \$337,163) of expenses were recognized. This increase is a direct result of the early redemption of the Company's debentures during the period which included a 5% penalty fee of \$110,950, and accretion expense of \$345,834.

RESULTS OF OPERATIONS

The following table highlights selected financial information for the eight consecutive quarters ended September 30, 2019:

	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
Revenues (\$)	2,395,662	2,827,291	2,444,311	2,215,911	2,118,093	1,856,446	2,923,390	721,989
Net income (loss) (\$)	(475,295)	(212,035)	64,556	(112,574)	(293,434)	(462,775)	6,350	(1,012,369)
EBITDA (\$)	445,290	337,108	567,540	333,195	155,794	(33,312)	381,625	(953,542)
Adjusted EBITDA (\$)	523,669	552,524	656,774	441,335	296,403	20,693	750,873	(481,657)
Net (loss) income per share - basic and diluted (\$)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00	(0.01)
Weighted average number of shares outstanding - basic and diluted	160,286,395	159,894,692	134,754,035	132,562,739	130,259,775	126,037,262	124,929,400	85,360,157

OVERVIEW OF FINANCIAL POSITION

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

	September 30, 2019	December 31, 2018	\$ Change
Cash	4,243,913	2,805,993	1,437,920
Trade and other receivables	1,489,032	1,615,650	(126,618)
Customer option receivable	402,053	1,676,971	(1,274,918)
Lease receivable	42,206	-	42,206
Intangibles and goodwill	14,314,346	12,025,556	2,288,790
Right of use assets	991,354	-	991,354
Accounts payable and accrued liabilities	1,617,578	1,660,669	(43,091)
Loans payable	1,739,970	635,232	1,104,738
Contingent consideration	982,649	1,975,424	(992,775)
Lease liabilities	1,072,823	-	1,072,823
Deferred revenue	1,739,504	1,905,671	(166,167)
Debentures	-	1,785,427	(1,785,427)
Income taxes (recoverable) payable	(179,023)	87,424	(266,447)
Deferred tax liability	890,802	1,001,802	(111,000)

- **Cash** was \$4,243,913 an increase of \$1,437,920 from December 31, 2018. Refer to Liquidity and Capital Resources for a discussion of the changes in cash.
- **Trade and other receivables** were \$1,489,032 a decrease of \$126,618, which is driven by the timing of the customer billing cycle and collections.
- **Intangibles and goodwill** are a direct result of the acquisitions completed and the fair value of acquired customer relationships, software platforms, brands and resulting goodwill.
- **Accounts payable and accrued liabilities** were \$1,617,578 a decrease of \$43,091.
- **Deferred revenues** were \$1,739,504 representing a decrease of \$166,167 from December 31, 2018, which is driven by the timing of the customer billing cycle of recurring contracts.
- **Debentures** resulted from an issuance in December 2017 and were redeemed during the period.
- **Loans payable** relate to loans assumed upon the acquisitions during the prior year ending December 31, 2018. In addition to a new facility obtained in the quarter (refer to Liquidity and Capital Resources section).
- **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, 2019 reflects the initial value on closing less the cash payments made and accretion during the nine months ended September 30, 2019. The additional contingent consideration resulted from previous and current period acquisitions.
- **Income taxes payable and deferred tax liability** are the result of the acquisitions completed by the Company.

OUTSTANDING SHARE DATA

SHARE CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of common shares. As at September 30, 2019 the Company had 165,362,659 (December 31, 2018 – 134,274,979) common shares issued and outstanding. As at September 30, 2019, there were 31,508,252 (December 31, 2018 – 43,111,296) warrants outstanding which entitle the holder to purchase one common share of the Company. Stock options outstanding as of September 30, 2019 were 12,532,741 (December 31, 2018 – 12,169,407) which entitle the holder to purchase one common share of the Company. The number of exercisable stock options as at September 30, 2019 was 9,125,648 (December 31, 2018 – 7,329,123).

FINANCIAL CONDITION

Liquidity and Capital Resources

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$	Change \$
Net loss	(625,774)	(749,864)	124,090
Items not affecting cash	1,706,710	1,270,412	436,298
Net change in non-cash working capital	(1,158,117)	(1,756,078)	597,961
Cash provided by (used in) operating activities	(77,181)	(1,235,530)	1,158,349

- The Company had a net loss of \$625,774 for the nine months ended September 30, 2019 compared to a net loss of \$749,864 in the prior period, as described in the Operating Results section of this MD&A.
- Changes in non-cash working capital were \$597,961 in comparison to the prior period. This is primarily due to a decrease in contingent consideration in the period.

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Favourable (Unfavourable) \$
Cash used in investing activities	(640,766)	(565,733)	(75,033)

Cash used in investing activities of \$75,033 relates to the acquisition of a business during the period and minor investments in computer equipment, furniture and fixtures and leasehold improvements.

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$	Favourable (Unfavourable) \$
Cash provided by financing activities	2,215,776	284,836	1,930,940

Cash provided by financing activities was \$2,215,776 for the nine months ended September 30, 2019 compared to \$284,836 in the prior period. The increase is mainly due a private placement completed in the Q1/2019 with gross proceeds of \$3,300,000, the exercise of warrants in the amount of \$1,152,000, and proceeds of \$1,400,000 from RBC for a non-revolving term facility loan less repayments of loans and debentures in the amount of \$1,250,910 and \$2,219,000.

CREDIT FACILITIES

The Company has an agreement with the Royal Bank of Canada (“RBC”) to provide a \$500,000, revolving demand facility, bearing interest at RBC’s prime rate plus 1%. 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 subsidiaries of the Company.

As at September 30, 2019, 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 December 31, 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 in the amount of \$134,466, this loan 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 second 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.

During 2018, the Company obtained a sale and leaseback from RBC in the amount of \$231,215. This loan is secured by the assets sold which consist of leasehold improvements and furniture and fixtures to RBC and is repayable in monthly installments of principal and interest of \$6,974, and matures December 27, 2021. The Company has the option to purchase the assets on December 26, 2021 for \$1.

During the quarter, the Company obtained a non-revolving term facility from RBC in the amount of \$1,400,000. The loan bears interest at RBC's prime rate plus 2% and is due September 25, 2024. The loan is repayable in monthly installments of principal of \$23,333 plus interest, beginning October 25, 2019.

The 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 a guarantee and postponement of claim by the Health Technology Exchange ("HTX").

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 3 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, 2018. 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.

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.

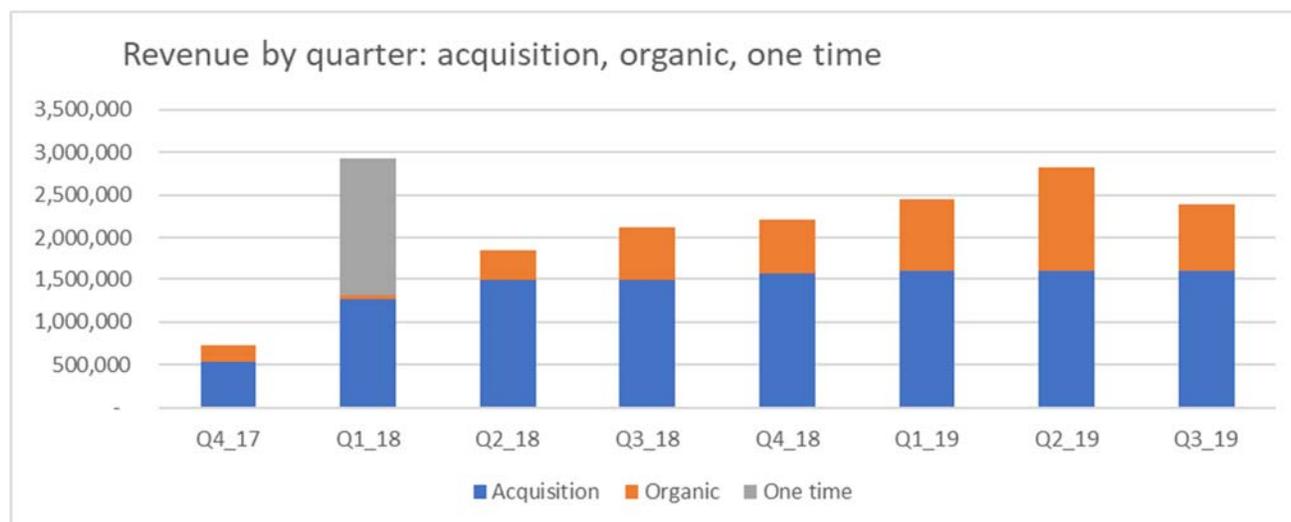
The ACV of recurring revenue at September 30, 2019 with existing customers was \$5,579,377 as compared to \$5,321,119 at June 30, 2019 and \$4,486,680 as compared to December 31, 2018, an increase of 20%. The growth in ACV of recurring revenue is due to several new contracts signed in the period and the acquisition of The Oak Group.

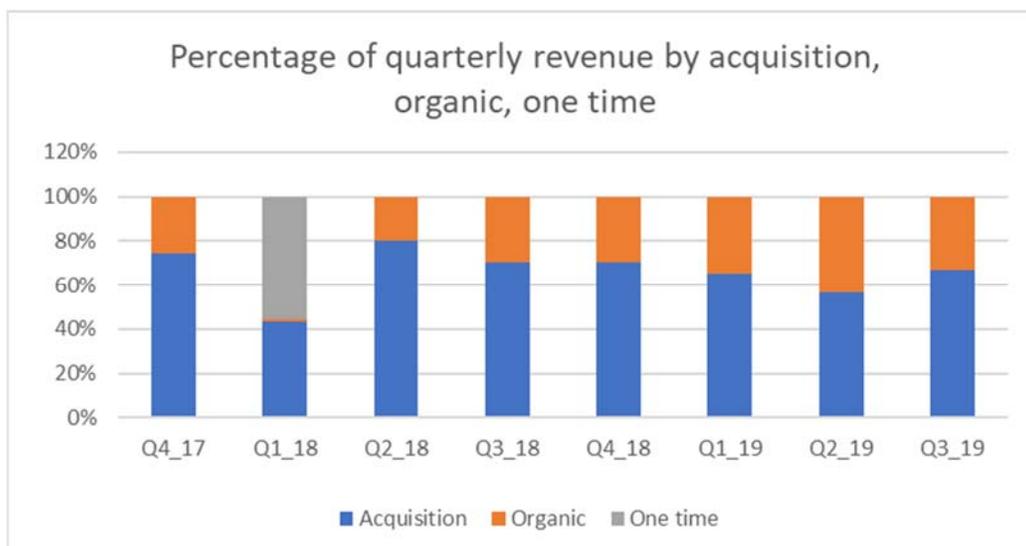
Recurring revenue comprised of 57.0% or \$1,364,577 of total revenue for the three months ended September 30, 2019, and 49.8% or \$3,816,749 of total revenue for the nine months ended September 30, 2019.

Acquisition, organic and one-time revenue

The Company has a robust two-pronged growth strategy, targeting organic growth opportunities within its product suite, and pursuing an aggressive M&A plan

Acquisition revenue is defined as the gross revenues of the Company at the time of acquisition. Organic revenue growth is defined as the revenue over and above the acquisition revenues, and one-time revenues consist of perpetual license fees as described under the revenue section of this MD&A.





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, 2019 \$	Three months ended September 30, 2018 \$	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$
Net loss	(475,295)	(293,434)	(625,774)	(749,864)
Add: Interest	541,804	115,772	797,448	337,163
Add: Depreciation and amortization	460,675	352,925	1,326,817	1,053,524
Add: Current and deferred tax expense (recovery)	(81,894)	(19,469)	(148,553)	(136,716)
EBITDA	445,290	155,794	1,349,938	504,107

Adjusted EBITDA

Adjusted EBITDA, defined as Earnings before Interest, Taxation, Depreciation, Amortization, Share Based Compensation expense, and Acquisition Related Expenses 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, 2019 \$	Three months ended September 30, 2018 \$	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$
EBITDA as above	445,290	155,794	1,349,938	504,107
Add: Stock based compensation expense	48,751	140,609	131,231	250,610
Add: Acquisition, restructuring and related expenses	29,628	-	251,798	313,252
Adjusted EBITDA	523,669	296,403	1,732,967	1,067,969

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 cancelled, 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 and GBP 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, 2019, approximately 32% of Vitalhub's sales revenue originated from clients in the United States and United Kingdom. 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 fluctuates.

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.