

Vitalhub Corp.

**Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018**

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Vitalhub Corp. have been prepared by and are the responsibility of management. Vitalhub Corp.'s independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim condensed consolidated financial statements by an entity's auditor.

Vitalhub Corp.

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Vitalhub Corp.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(in Canadian Dollars)

	Note	As at September 30, 2019 \$	As at December 31, 2018 \$
Assets			
Current assets			
Cash	5	4,243,913	2,805,993
Accounts receivable	6	1,489,032	1,615,650
Customer option receivable	4 (a)	402,053	1,676,971
Lease receivable	3	29,160	-
Prepaid expenses		201,374	226,639
		6,365,532	6,325,253
Non-current assets			
Property and equipment	7	312,386	321,496
Intangible assets	8	5,828,801	5,896,802
Right-of-use assets	3	991,354	-
Lease receivable	3	13,046	-
Goodwill	4 and 9	8,485,545	6,128,754
		21,996,664	18,672,305
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	1,617,578	1,660,669
Loans payable	13	447,989	370,548
Contingent consideration	4 (a) (c) and (d)	982,649	1,975,424
Lease liabilities	3	216,281	-
Deferred revenue		1,739,504	1,876,561
Income taxes (recoverable) payable		(179,023)	87,424
		4,824,978	5,970,626
Non-current liabilities			
Debentures	14	-	1,785,427
Deferred tax liability		890,802	1,001,802
Loans payable	13	1,291,981	264,684
Contract liabilities	3	856,542	-
Deferred revenue		-	29,110
		7,864,303	9,051,649
Shareholders' equity			
Share capital	15(a)	17,840,064	13,549,980
Share-based payment reserve	15(c)	857,165	727,270
Warrants reserve	15(b) and (d)	1,246,218	937,548
Accumulated comprehensive gain		29,027	54,848
Deficit		(5,840,113)	(5,648,990)
		14,132,361	9,620,656
		21,996,664	18,672,305
<i>Subsequent event</i>	21		

Approved by the Board of Directors

Daniel Matlow
Director

Barry Tissenbaum
Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Vitalhub Corp.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

(in Canadian Dollars)

	Note	For the three months ended September		For the nine months ended September	
		2019 \$	2018 \$	2019 \$	2018 \$
Revenues					
Term licences, maintenance and support		1,364,577	1,245,751	3,816,749	3,240,417
Perpetual licences		17,500	77,999	577,254	1,820,445
Services and other		1,013,585	794,343	3,273,261	1,837,067
		2,395,662	2,118,093	7,667,264	6,897,929
Cost of sales					
		682,773	514,291	2,099,662	1,300,547
Gross profit					
		1,712,889	1,603,802	5,567,602	5,597,382
Operating expenses					
General and administrative		568,506	487,113	1,802,254	1,607,644
Sales and marketing		179,696	188,413	553,253	690,163
Research and development		622,503	617,733	1,672,244	2,217,532
Depreciation and amortization	7 & 8	411,998	352,925	1,180,509	1,053,524
Amortization of right-of-use assets	3	48,677	-	146,308	-
Stock based compensation	15(c)	48,751	140,609	131,231	250,610
Acquisition, restructuring and related expenses	4	29,628	-	251,798	313,252
Foreign currency gain		(21,634)	14,140	(61,604)	14,074
		1,888,125	1,800,933	5,675,993	6,146,799
(Loss) income from operations					
		(175,236)	(197,131)	(108,391)	(549,417)
Other (income) and expenses					
Interest expense and accretion		528,753	115,772	756,686	337,163
Interest income from sublease	3	(583)	-	(1,740)	-
Interest expense from lease liabilities	3	13,634	-	42,502	-
Loss on right-of-use assets and lease liability	3	-	-	27,869	-
Loss on disposal of property and equipment		-	-	470	-
Gain on redemption of debentures	14	(159,851)	-	(159,851)	-
		381,953	115,772	665,936	337,163
Total other (income) expenses					
		381,953	115,772	665,936	337,163
Net (loss) before income taxes for the period					
		(557,189)	(312,903)	(774,327)	(886,580)
Provision for income taxes					
Current		(40,494)	7,434	(37,553)	7,434
Deferred		(41,400)	(26,903)	(111,000)	(144,150)
		(81,894)	(19,469)	(148,553)	(136,716)
Total provision for income taxes					
		(81,894)	(19,469)	(148,553)	(136,716)
Net (loss) for the period					
		(475,295)	(293,434)	(625,774)	(749,864)
Exchange differences on translating foreign operations					
		(19,527)	(1,599)	(25,821)	11,302
Net (loss) and comprehensive (loss) for the period					
		(494,822)	(295,033)	(651,595)	(738,562)
Net (loss) and comprehensive (loss) per share					
Basic and diluted loss per share	16	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of shares outstanding					
Basic and diluted	16	160,286,395	130,259,755	157,691,637	126,280,649

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Vitalhub Corp.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(in Canadian Dollars)

For the nine months ended September 30, 2019 and 2018								
Share capital								
	Note	Number #	Amount \$	Share-based payment reserve \$	Warrants reserve \$	Accumulated comprehensive gain (loss) \$	Deficit \$	Total shareholders' equity \$
Balance January 1, 2018		102,857,974	8,257,036	413,539	1,257,732	(1,783)	(4,845,724)	5,080,800
Acquisition of H.I. Next Inc.	4(a)	19,500,000	3,207,407	-	-	-	-	3,207,407
Acquisition of Clarity Healthcare Solutions	4(b)	2,527,735	345,897	-	-	-	-	345,897
Acquisition of Roxy Solutions Inc.	4(c)	1,302,312	184,347	-	-	-	-	184,347
Warrants exercised	15(d)	5,376,220	1,067,699	-	(163,124)	-	-	904,575
Stock based compensation	15(c)	-	-	250,610	-	-	-	250,610
Net (loss) and comprehensive income for the period		-	-	-	-	11,302	(749,864)	(738,562)
Balance - September 30, 2018		131,564,241	13,062,386	664,149	1,094,608	9,519	(5,595,588)	9,235,074
Balance - December 31, 2018		134,274,979	13,549,980	727,270	937,548	54,848	(5,648,990)	9,620,656
Non-brokered private placement	15(b)	20,625,000	2,437,524	-	847,571	-	-	3,285,095
Acquisition of Oak group	4(d)	4,032,682	728,014	-	-	-	-	728,014
Warrants exercised	15(d)	6,400,000	1,256,250	-	(104,250)	-	-	1,152,000
Warrants expired	15(d)	-	-	-	(434,651)	-	434,651	-
Stock options exercised	15(c)	29,998	4,936	(1,336)	-	-	-	3,600
Stock based compensation	15(c)	-	-	131,231	-	-	-	131,231
Redemption of debentures	14	-	(136,640)	-	-	-	-	(136,640)
Net (loss) and comprehensive (loss) for the period		-	-	-	-	(25,821)	(625,774)	(651,595)
Balance - September 30, 2019		165,362,659	17,840,064	857,165	1,246,218	29,027	(5,840,113)	14,132,361

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Vitalhub Corp.

Interim Condensed Consolidated Statements of Cash Flow

(Unaudited)

(in Canadian Dollars)

For the nine months ended September 30

	Note	2019 \$	2018 \$
Cash provided by (used in)			
Operating activities			
Net (loss) for the period		(625,774)	(749,864)
Items not affecting cash			
Amortization of property and equipment	7	62,508	21,567
Amortization of intangible assets	8	1,118,001	1,031,957
Amortization on right-of-use assets	3	146,308	-
Loss on right-of-use assets and lease liabilities	3	27,869	-
Unrealized foreign exchange gain		34,086	2,890
Loss on disposal of property, plant and equipment		774	-
Gain on redemption of debentures	14	(159,851)	-
Deferred tax recovery		(111,000)	(144,150)
Interest and accretion expense		456,784	107,538
Stock based compensation	15(c)	131,231	250,610
Net change in non-cash working capital	17	(1,158,117)	(1,756,078)
Cash (used in) operating activities		(77,181)	(1,235,530)
Investing activities			
Purchase of property and equipment	7	(54,172)	(208,458)
Acquisition of H.I. Next Inc. (net of cash acquired)	4(a)	-	(66,727)
Acquisition of Roxy Solutions Inc. (net of cash acquired)	4(d)	-	(290,548)
Acquisition of Oak Group (net of cash acquired)	4(d)	(606,690)	-
Principal portion of lease payments received	3	20,094	-
Cash (used in) investing activities		(640,766)	(565,733)
Financing activities			
Proceeds from RBC non-revolving term facility		1,400,000	-
Principal payments on loans payable		(295,262)	(619,739)
Principal payments on related party loans		(955,648)	-
Principal payments on lease liabilities	3	(155,009)	-
Redemption of debentures	14	(2,219,000)	-
Proceeds from non-brokered private placement - net		3,285,095	-
Proceeds from exercise of options		3,600	-
Proceeds from exercise of warrants	15(d)	1,152,000	904,575
Cash provided by financing activities		2,215,776	284,836
Effect of foreign currency on cash		(59,907)	8,412
Increase (decrease) in cash during the period		1,437,920	(1,508,015)
Cash - beginning of the period		2,805,993	4,543,281
Cash - end of the period		4,243,913	3,035,266
Supplemental disclosures			
Interest paid		299,902	229,625
Interest income on sub-lease		(1,740)	-
Interest paid on lease liabilities		42,502	-
Customer option proceeds remitted to vendor through contingent consideration		3,241,982	1,566,178

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

1 Description of business

Vitalhub Corp. and its subsidiaries (the “Company” or “Vitalhub”) develop and support mission-critical healthcare information systems in the mental health, long term care, community health service and hospital sectors. The technologies include blockchain, patient flow, mobile and web-based assessment and electronic healthcare record solutions.

Vitalhub Corp. has three wholly owned subsidiaries: B Sharp Lanka (PVT) Ltd., H.I.Next LLC, and The Oak Group (UK) Limited.

On August 1, 2019, B Sharp Technologies Inc., H.I.Next Inc., and Roxy Software Inc., wholly-owned subsidiaries of the Company were amalgamated with Vitalhub Corp.

The Company’s shares trade on the TSX Venture Exchange under the symbol “VHI”. The Company is incorporated and domiciled in Canada. The address of the Company’s registered office is 480 University Avenue, Suite 1001, Toronto, Ontario, M5G 1V2.

2 Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as set out in the Handbook of Canadian Professional Accountants Canada (“CPA Canada Handbook”). These condensed interim consolidated financial statements are presented in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The disclosures contained in these interim condensed consolidated financial statements do not contain all requirements of IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018.

3 Summary of significant accounting policies

Except for the adoption of IFRS 16, the accounting policies applied in these interim condensed consolidated financial statements are consistent with those disclosed in Note 3 to the annual consolidated financial statements for the year ended December 31, 2018.

IFRS 16 Leases

The Company has adopted IFRS 16 with an initial adoption date of January 1, 2019. The Company utilized the modified retrospective method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 17, Leases and related interpretations.

IFRS 16 specifies how leases will be recognized, measured, presented and disclosed and it provides a single lessee model, requiring lessees to recognize right-of-use assets and lease liabilities for all major leases.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (Unaudited) (in Canadian Dollars)

3 Summary of significant accounting policies (continued)

IFRS 16 Leases (continued)

The Company has applied IFRS 16 using the modified retrospective method and has recognized the following balances as of the January 1, 2019 adoption date:

Right of use assets	Balance - January 1, 2019 \$	Additons \$	Balance - September 30, 2019 \$
Cost			
Building Lease	1,137,662	-	1,137,662
Net book value	1,137,662	-	1,137,662
Accumulated amortization			
Building Lease	-	146,308	146,308
Net book value	-	146,308	991,354
Lease liabilities			Building Lease \$
Balance - January 1, 2019			1,206,411
Financing cost			38,331
Payments			(171,919)
Total lease liabilities - September 30, 2019			1,072,823
Less: current portion			216,281
Balance - September 30, 2019			856,542

The updated accounting policies, and the impact on the September 30, 2019 condensed consolidated interim financial statements, and additional disclosures are detailed as follows:

The Company assesses, at the inception of contract, whether it contains a lease. A contract is classified as a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses:

- Whether the contract involves the use of an identified asset. This can be specified explicitly or implicitly and should be physically distinct or represents substantially all of the capacity of a physically distinct asset.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

3 Summary of significant accounting policies (continued)

IFRS 16 Leases (continued)

- Whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- Whether the Company has the right to direct use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct use of the asset if either:
 - i. The Company has the right to operate the asset; or
 - ii. The Company designed the asset in a way that predetermines how and for what purpose it will be used.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred.

The right-to-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined using the same criteria as those for property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses and adjusted for certain remeasurements of the lease liability, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

3 Summary of significant accounting policies (continued)

IFRS 16 Leases (continued)

The Company as a lessor

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. For the period presented, company has a single sub-lease arrangement. The head lease & sublease are recognized as finance leases resulting in derecognition of the original right-of-use asset under head lease, however, the original lease liability is accounted for as before commencement of the sublease.

Amounts due from lessees under finance leases are recognised as lease receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to reporting periods to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases. Lease receivable are presented as a separate line in the condensed consolidated interim consolidated statements of financial position.

The gain/loss resulting from derecognition of right-of-use asset under the head lease and recognition of net investment in the leases is recognized as a separate line "gain/loss on right-of-use asset and lease liability" in the condensed consolidated interim consolidated statements of operations and comprehensive income (loss).

4 Business acquisitions

The Company's acquisitions serve to expand and broaden the suite of service offerings, add key customers and realize synergies by removing redundancies.

a) Acquisition of H.I. Next Inc.

On January 10, 2018, pursuant to an acquisition agreement the Company acquired all of the issued and outstanding securities of H.I.Next Inc. and H.I.Next LLC. ("HI Next"). HI Next provides TREAT, a Web-based EHR and care coordination platform built for health care providers.

Pursuant to the agreement, the HI Next business was acquired with a payment of initial cash consideration, the issuance of share capital and additional 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 two years with the last payment due and payable on December 31, 2019.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

4 Business acquisitions (continued)

a) Acquisition of H.I. Next Inc. (continued)

The contingent consideration has been recorded as a customer option receivable and a contingent consideration liability on the interim condensed consolidated statements of financial position at its estimated fair value. As at September 30, 2019, the fair value of the customer option receivable and contingent consideration liability was \$402,053 (December 31, 2018 - \$1,676,971), which reflects the initial value on closing less the cash payments made, accretion in the period and month end foreign exchange adjustments.

During the three and nine months ended September 30, 2019, the customer has made payments totalling \$314,136 US (\$415,926 CAD) and \$942,408 US (\$1,247,633 CAD) (2018 - \$314,136 US (\$1,214,136 CAD) and \$900,000 US (\$1,566,178 CAD)). During the three and nine months ended September 30, 2019, accretion income was \$4,966 and \$8,274 (2018 - \$12,183 and \$26,770).

The following table summarizes the fair value of consideration paid on the acquisition date and the allocation of the purchase price to the assets and liabilities acquired.

Purchase consideration	\$
Cash	297,476
Issued shares (19,500,000 shares issued at \$.164 cents/share)	3,207,407
Fair value of contingent consideration	3,378,599
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Total purchase price	6,883,482
<hr/>	
Allocated to identifiable assets acquired and liabilities assumed	
Cash	230,749
Accounts receivable	1,376,102
Prepaid expenses	120,189
Property and equipment	27,403
Bank indebtedness	(134,446)
Accounts payable and accrued liabilities	(581,436)
Loans payable	(525,997)
Due to related parties	(306,686)
Deferred revenue	(666,936)
Deferred tax liability	(1,076,342)
Allocated to intangible assets and goodwill	
Customer relationships	4,029,000
Acquired technology	508,000
Goodwill	3,883,882
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Total allocated	6,883,482

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

4 Business acquisitions (continued)

b) Acquisition of Clarity HealthCare Solutions assets

On January 19, 2018, the Company completed the purchase of select assets of Clarity Healthcare Solutions. ("Clarity"), pursuant to an acquisition agreement dated January 17, 2018. Clarity develops and deploys a web-based interface and data entry solution to perform in-patient assessments for long-term care providers.

The following table summarizes the fair value of consideration paid on the acquisition date and the allocation of the purchase price to the assets and liabilities acquired.

Purchase consideration	\$
Issued shares (2,527,735 shares issued at \$.137 cents/share)	345,897
Total purchase price	345,897
Allocated to identifiable assets acquired and liabilities assumed	
Accounts receivable	25,797
Deferred revenue	(24,380)
Allocated to intangible assets and goodwill	
Customer relationships	143,000
Acquired technology	38,000
Goodwill	163,480
Total allocated	345,897

c) Acquisition of Roxy Solutions Inc.

On September 28, 2018, pursuant to an acquisition agreement, the Company acquired all of the issued and outstanding securities of Roxy Software Inc. (Roxy). Roxy provides a web-based software solution that helps manage programs, workload, and data more effectively.

The Company has a contingent consideration in the amount of \$298,453 payable over a five year period after the closing, which has been discounted using a risk-free rate and is contingent upon meeting certain targets. In the event that either party exercises its rights to termination, the Company shall not be relieved of its obligations and all of the remaining consideration shall be payable.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

4 Business acquisitions (continued)

c) Acquisition of Roxy Solutions Inc. (continued)

The following table summarizes the fair value of consideration paid on the acquisition date and the allocation of the purchase price to the assets and liabilities acquired.

Purchase consideration	\$
Cash	319,900
Issued shares (1,302,312 shares issued at \$.142 cents/share)	184,347
Contingent consideration	298,453
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Total purchase price	802,700
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Allocated to identifiable assets acquired and liabilities assumed	
Cash	29,352
Accounts receivable	25,493
Income taxes recoverable	6,871
Accounts payable and accrued liabilities	204
Deferred revenue	(66,690)
Deferred tax liability	(120,443)
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Allocated to intangible assets and goodwill	
Customer relationships	400,000
Acquired technology	70,000
Goodwill	457,913
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Total allocated	802,700

d) Acquisition of The Oak Group, Inc.

On March 20, 2019, pursuant to an acquisition agreement, the Company acquired certain assets of The Oak Group, Inc., and all of the issued and outstanding securities of The Oak Group (UK) Limited ("Oak Group UK"). The Oak Group UK provides software that helps manage the utilization of healthcare beds more effectively.

In addition, the Company has a contingent consideration in the amount of \$452,644 payable over a five year period after the closing, which has been discounted using a risk-free rate and is contingent upon meeting certain targets. In the event that either party exercises its rights to termination, the Company shall not be relieved of its obligations for the minimum guaranteed compensation portion and 50% all of the remaining consideration shall be payable.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

4 Business acquisitions (continued)

d) Acquisition of The Oak Group, Inc. (continued)

The following table summarizes the fair value of consideration paid on the acquisition date and the allocation of the purchase price to the assets and liabilities acquired. In accordance with the Company's accounting policy and IFRS, the Company has up to one year following the acquisition date to finalize the accounting for a business combination. Accordingly, the accounting for the Oak Group acquisition has been completed using provisional amounts within these interim condensed consolidated financial statements.

Purchase consideration	\$
Cash	655,634
Issued shares (4,032,682 shares issued at \$.181 cents/share)	728,014
Contingent consideration	452,645
<hr/>	
Total purchase price	1,836,293
<hr/>	
Allocated to identifiable assets acquired and liabilities assumed	
Cash	48,944
Accounts receivable	317,475
Prepays	12,257
Accounts payable and accrued liabilities	(423,049)
Deferred revenue	(570,477)
Due to related party	(955,648)
<hr/>	
Allocated to intangible assets and goodwill	
Customer relationships	630,000
Acquired technology	220,000
Brand	200,000
Goodwill	2,356,791
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Total allocated	1,836,293

During the three and nine months ended September 30, 2019, the Company incurred \$29,628 and \$251,798 in acquisition, restructuring and related costs with this acquisition (2018 – \$nil). These costs are included and separately disclosed in the consolidated statements of operations and comprehensive loss.

The acquisition of The Oak Group resulted in revenue for the three and nine months ended September 30, 2019 of \$277,442 and \$534,694 (2018 - \$nil) and a net loss of \$8,859 and \$115,637 (2018 - \$nil) which is included in the Company's results for the three and nine months ended September 30, 2019.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

5 Cash

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 and December 31, 2018, no amounts have been drawn on this revolving demand facility .

6 Accounts receivable

	September 30 2019 \$	December 31 2018 \$
Trade accounts receivable	1,534,617	1,795,022
Other receivable	138,538	8,259
Expected credit loss provision	(184,123)	(187,631)
	1,489,032	1,615,650

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

7 Property and equipment

	Balance January 1, 2019 \$	Acquisitions (note 4) \$	Additions \$	Disposals \$	Balance September 30, 2019 \$
Cost					
Computers	136,317	-	47,245	(18,879)	164,683
Furniture and fixtures	216,994	-	4,223	(30,761)	190,456
Leasehold improvements	60,968	-	2,704	-	63,672
	414,279	-	54,172	(49,640)	418,811
Accumulated depreciation					
Computers	(64,274)	-	(21,678)	18,879	(67,073)
Furniture and fixtures	(23,052)	-	(31,418)	29,987	(24,483)
Leasehold improvements	(5,457)	-	(9,412)	-	(14,869)
	(92,783)	-	(62,508)	48,866	(106,425)
Net book value	321,496				312,386

	Balance January 1, 2018 \$	Acquisitions (note 4) \$	Additions \$	Disposals \$	Balance - December 31, 2018 \$
Cost					
Computers	84,832	23,824	27,661	-	136,317
Furniture and fixtures	15,341	3,579	198,074	-	216,994
Leasehold improvements	11,851	-	49,117	-	60,968
	112,024	27,403	274,852	-	414,279
Accumulated depreciation					
Computers	(41,351)	-	(22,923)	-	(64,274)
Furniture and fixtures	(11,786)	-	(11,266)	-	(23,052)
Leasehold improvements	(826)	-	(4,631)	-	(5,457)
	(53,963)	-	(38,820)	-	(92,783)
Net book value	58,061				321,496

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

8 Intangible assets

	Balance January 1, 2019 \$	Additions (note 4) \$	Balance September 30, 2019 \$
Cost			
Acquired technologies	1,013,000	220,000	1,233,000
Brand	-	200,000	200,000
Customer relationships	6,247,000	630,000	6,877,000
	<u>7,260,000</u>	<u>1,050,000</u>	<u>8,310,000</u>
Accumulated amortization			
Acquired technologies	(153,560)	(133,539)	(287,099)
Brands	-	(20,000)	(20,000)
Customer relationships	(1,209,638)	(964,462)	(2,174,100)
	<u>(1,363,198)</u>	<u>(1,118,000)</u>	<u>(2,481,199)</u>
Net book value	<u>5,896,802</u>		<u>5,828,801</u>

	Balance January 1, 2018 \$	Additions (note 4) \$	Balance - December 31, 2018 \$
Cost			
Acquired technologies	397,000	616,000	1,013,000
Customer relationships	1,675,000	4,572,000	6,247,000
	<u>2,072,000</u>	<u>5,188,000</u>	<u>7,260,000</u>
Accumulated amortization			
Acquired technologies	(14,179)	(139,381)	(153,560)
Customer relationships	(29,911)	(1,179,727)	(1,209,638)
	<u>(44,090)</u>	<u>(1,319,108)</u>	<u>(1,363,198)</u>

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

9 Goodwill

The carrying amount of goodwill related to each acquisition is as follows:

		September 30 2019 \$	December 31 2018 \$
	Note		
B Sharp Technologies Inc.		1,623,479	1,623,479
H.I. Next Inc. and LLC	4(a)	3,883,882	3,883,882
Clarity HealthCare Solutions	4(b)	163,480	163,480
Roxy Solutions Inc.	4(c)	457,913	457,913
The Oak Group (UK) Limited	4(d)	2,356,791	-
		<u>8,485,545</u>	<u>6,128,754</u>

10 Accounts payable and accrued liabilities

		September 30 2019 \$	December 31 2018 \$
	Note		
Trade accounts payable and accrued liabilities		733,162	607,054
Accrued payroll and related compensation		735,245	705,245
Government remittances		46,164	256,459
Royalties payable	11 & 12	103,007	91,911
		<u>1,617,578</u>	<u>1,660,669</u>

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

11 Share purchase agreement

On May 2, 2016 all of the outstanding shares of Vitalhub were purchased by 2514987 Ontario Inc., an arm's length corporation incorporated in the Province of Ontario (the "Corporation"). In addition, the Corporation purchased one-hundred percent (100%) of the Company's outstanding indebtedness to the two primary shareholders (the "Creditors") to be paid as follows:

- a) 25% of the amount received net of expenses to be paid to Vitalhub under a Scientific Research and Experimental Development ("SR&ED") tax incentive claim. The total SR&ED claim submitted to date was \$508,840 which includes claims for the fiscal years 2014 and 2015. After an audit from the Canada Revenue Agency, the 2014 SR&ED claim was disallowed, as a result the Company will subsequently recognize the claim when it is received in addition to the applicable amounts payable to the Creditors. Management is of the opinion that the claim in 2014 is valid and is appealing the audit decision.
- b) Royalty streams to be paid to the Creditors are as follows:
 - i) 0% of the Net Revenue received by Vitalhub pursuant to the agreement with Provincial Health Services Association ("BC Agreement") during the period commencing January 1, 2016 and ending December 31, 2016;
 - ii) 17.5% of the Net Revenue received by Vitalhub pursuant to the BC Agreement during the period commencing January 1, 2017 and ending December 31, 2019, with such amount being payable within ninety (90) days following December 31, 2019;
 - iii) 12.5% of the Net Revenue received by Vitalhub pursuant to the BC Agreement during the period commencing January 1, 2020 and ending December 31, 2021, with such amount being payable within ninety (90) days following December 31, 2021;
 - iv) 6.5% of the Net Revenue received by Vitalhub other than pursuant to the BC Agreement during the four-year period commencing on May 2, 2016, with such amounts being payable in four installments annually.

During the year January 1, 2017 to December 31, 2017, the Company earned \$240,000 of Net Revenues and \$192,950 from January 1, 2018 to September 30, 2019 pursuant to the BC agreement, accordingly the Company has accrued \$75,766 of royalties in accounts payable and accrued liabilities.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

12 Royalties payable

On May 30, 2017, the Company entered into a revenue and cost sharing agreement with one of its customers on a co-designed solution. Under the terms of the agreement, license and maintenance revenue earned by the solution will be shared 90% to the Company and 10% to the customer up to the point where the customer has received a total of \$1,000,000 in gross revenues, after which revenue sharing will continue at 2% of ongoing revenues to the customer indefinitely.

As at September 30, 2019, the Company has earned \$53,403 of revenues, paid out \$1,124 and accrued the remaining \$4,216 (December 31, 2018 - \$3,717) of royalties.

13 Loans payable

	Note	September 30 2019 \$	December 31 2018 \$
RBC business loan	(a)	6,115	61,114
Business Development Bank of Canada loan	(b)	116,640	145,800
The Health Technology Exchange loan	(c)	47,102	197,103
RBC sale and leaseback loan	(d)	170,113	231,215
RBC non-revolving term facility	(e)	1,400,000	-
		1,739,970	635,232
Less: current portion		447,989	370,548
Non-current portion		1,291,981	264,684
Future principal repayments are as follows:			
	2019	447,989	370,548
	2020	399,251	115,500
	2021	332,730	120,025
	2022	280,000	29,159
	2023 and thereafter	280,000	-
		1,739,970	635,232

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

13 Loans payable (continued)

- a) The RBC Business loan bears interest at RBC's prime rate plus 3% and is due October 18, 2019. The loan is repayable in monthly installments of principal of \$6,111 plus interest, beginning November 30, 2016. During the three and nine months ended September 30, 2019, the Company paid \$18,333 and \$54,999 (2018 - \$18,333 and \$54,999) in principal and \$946 and \$1,913 (2018 - \$1,533 and \$5,339) of interest expense.

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").

- b) The Business Development Bank of Canada ("BDC") 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. During the three and nine months ended September 30, 2019, the Company paid \$9,720 and \$29,160 (2018 - \$9,720 and \$29,160) in principal and \$3,181 and \$8,987 (2018 - \$3,580 and \$11,043) of interest expense.

- c) The Health Technology Exchange loan 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 the three and nine months ended September 30, 2019, the Company paid \$50,000 and \$150,000 (2018 - \$nil and \$110,000) in principal and interest expense.

- d) The RBC sale and leaseback 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, commencing January 25, 2019, and matures December 27, 2021. The Company has the option to purchase the assets on the purchase date of December 26, 2021 for \$1. During the three and nine months ended September 30, 2019, the Company paid \$24,759 and \$61,103 (2018 - \$nil) in principal and \$3,139 and \$8,641 (2018 - \$nil) of interest expense.

- e) The RBC non-revolving term facility 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").

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

14 Debentures

The following table summarizes information about the Company's debentures as at September 30, 2019 and December 31, 2018:

	Liability component \$	Equity component \$	Total \$
Present value of debentures issued	1,615,705	296,376	1,912,081
Accretion for the period from inception	169,722	-	169,722
Balance - December 31, 2018	1,785,427	296,376	2,081,803
Accretion for the period	456,784	-	456,784
Gain on redemption of debentures	(159,851)	-	(159,851)
Redemption of debentures	(2,082,360)	(136,640)	(2,219,000)
Balance - September 30, 2019	-	159,736	159,736

On September 30, 2019, the Company redeemed its 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.

15 Share capital

a) Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares with no par value.

b) Issued share capital

On January 18, 2019, the Company completed a non-brokered private placement financing under which 20,625,000 units were issued at \$0.16 per unit for total gross proceeds of \$3,300,000. Each unit comprises one common share and one half of one common share warrant with each such two year warrant being exercisable for one common share of the Company at an exercise price of \$0.29, for a period of 24 months from the date of issuance, and one half of one common share warrant with each such three year warrant being exercisable for one common share of the Company at an exercise price of \$0.39, for a period of 36 months from the date of issuance

The Company incurred costs of \$14,905 relating to professional and advisory services resulting in net proceeds of the non-brokered private placement of \$3,285,095 which was allocated proportionally between share capital and warrants based on their relative fair values within the unit with \$2,392,524 (74%) allocated to share capital and \$892,570 (26%) allocated to warrants.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

15 Share capital (continued)

b) Issued share capital (continued)

The 20,625,000 warrants issued in connection with the above noted financing had a value of \$892,570 at the date of issue. The fair value of the warrants issued were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 18 2019	January 18 2019
Risk-free interest rate (%)	1.57%	1.29%
Expected volatility	88.0%	91.4%
Expected life (in years)	2	3
Expected dividends	\$nil	\$nil

c) Share based compensation and share based payment reserve

A summary of changes in share-based compensation during the nine months ended September 30, 2019 and for the year ended December 31, 2018 is as follows:

	September 30, 2019		December 31, 2018	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Outstanding - beginning of the period	12,169,407	0.142	8,247,741	0.130
Share options issued in the period	700,000	0.180	4,075,000	0.165
Share options exercised in the period	(29,998)	0.120	-	-
Share options expired in the period	(297,776)	0.149	-	-
Share options forfeited in the period	(8,892)	0.120	(153,334)	0.140
Balance - end of the period	12,532,741	0.142	12,169,407	0.142
Exercisable - end of the period	9,125,648	0.135	7,329,123	0.129

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

15 Share capital (continued)

c) Share based compensation and share based payment reserve (continued)

The following tables summarize information about the Company's share options outstanding at September 30, 2019 and December 31, 2018:

September 30, 2019

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
0.100	1,857,741	1.18	0.100	1,857,741	0.100
0.120	1,165,000	2.28	0.120	1,151,666	0.120
0.125	1,325,000	1.83	0.125	1,325,000	0.125
0.130	1,500,000	3.02	0.130	1,500,000	0.130
0.145	200,000	4.24	0.145	-	0.145
0.150	2,250,000	3.58	0.150	1,000,000	0.150
0.165	2,010,000	3.16	0.165	1,523,885	0.165
0.180	1,250,000	4.28	0.180	198,613	0.180
0.195	975,000	3.26	0.195	568,743	0.195
	12,532,741	2.84	0.144	9,125,648	0.135

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

15 Share capital (continued)

c) Share based compensation and share based payment reserve (continued)

December 31, 2018

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
0.100	1,857,741	1.93	0.100	1,857,741	0.100
0.120	1,311,666	3.03	0.120	1,244,996	0.120
0.125	1,325,000	2.58	0.125	1,325,000	0.125
0.130	1,500,000	3.76	0.130	1,500,000	0.130
0.145	200,000	4.99	0.145	-	0.145
0.150	2,250,000	4.33	0.150	-	0.150
0.165	2,200,000	3.91	0.165	1,401,386	0.165
0.180	550,000	4.66	0.180	-	0.180
0.195	975,000	4.01	0.195	-	0.195
	12,169,407	3.49	0.142	7,329,123	0.129

During the nine months ended September 30, 2019, 700,000 share options were issued (December 31, 2018 – 4,075,000) with a weighted average aggregate fair value of \$64,994 (700,000 at \$0.18 per option) at the date of grant (2018 - \$321,130) to directors, employees and consultants.

The fair value of the share options granted during the period were determined using the black-Scholes option pricing model with the following weighted average assumptions:

	April 23 2019
Share price (\$)	0.180
Exercise price (\$)	0.180
Risk-free interest rate (%)	1.44%
Expected volatility (%)	60.0%
Expected life (in years)	5
Expected dividends	\$nil

During the three and nine months ended September 30, 2019, the Company recognized stock-based compensation expense of \$48,751 and \$131,231 (2018 - \$140,609 and \$250,610).

The 700,000 options granted during the period vest 1/3 after one year and then monthly thereafter.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

15 Share capital (continued)

d) Warrants

A summary of changes in warrants during the nine months ended September 30, 2019 and for the year ended December 31, 2018 is as follows:

	September 30, 2019		December 31, 2018	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Outstanding - beginning of the period	43,111,296	0.180	53,016,380	0.180
Warrants issued in the period	20,625,000	0.340	-	-
Warrants exercised in the period	(6,400,000)	0.180	(8,086,958)	0.160
Warrants expired in the period	(25,828,044)	0.180	(1,818,126)	0.149
Balance - end of the period	31,508,252	0.285	43,111,296	0.180
Exercisable - end of the period	31,508,252	0.285	43,111,296	0.180

The following table summarizes information about the Company's warrants outstanding at September 30, 2019 and December 31, 2018:

September 30, 2019

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
0.180	10,883,252	0.20	0.180	10,883,252	0.180
0.290	10,312,500	1.30	0.290	10,312,500	0.290
0.390	10,312,500	2.30	0.390	10,312,500	0.390
	31,508,252	1.25	0.28	31,508,252	0.285

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

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15 Share capital (continued)

d) Warrants (continued)

December 31, 2018

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
0.180	43,111,296	0.763	0.180	43,111,296	0.180
	43,111,296	0.763	0.180	43,111,296	0.180

16 Net loss per share

Basic and diluted

Basic and diluted loss per share is calculated by dividing the net loss attributable to the Company by the weighted average number of common shares outstanding during the period.

	For the three months ended September 30		For the nine months ended September 30	
	2019 \$	2018 \$	2019 \$	2018 \$
Net (loss) for the period	\$ (475,295)	\$ (293,434)	\$ (625,774)	\$ (749,864)
Weighted average shares	160,286,395	130,259,755	157,691,637	126,280,649
Net basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

17 Statements of cash flow

Components of the net change in non-cash working capital for the nine months ended September 30, 2019 and 2018 are as follows:

	For the nine months ended September 30	
	2019 \$	2018 \$
(Increase) decrease in current assets		
Accounts receivable	444,093	1,164,334
Customer option receivable	1,274,918	(3,367,356)
Prepaid expenses	37,522	28,934
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(466,140)	(61,069)
Contingent consideration	(1,445,419)	-
Deferred revenue	(736,644)	479,079
Income taxes payable	(266,447)	-
	(1,158,117)	(1,756,078)

18 Expenses by nature

	For the three months ended September 30		For the nine months ended September 30	
	2019 \$	2018 \$	2019 \$	2018 \$
Salaries, wages and benefits	1,300,424	1,244,318	3,797,061	3,963,471
Depreciation and amortization	460,675	352,925	1,326,817	1,053,524
Interest and accretion expense	541,803	115,772	797,447	337,163
Consulting	152,688	113,978	443,667	356,611
Acquisition related expenses	29,628	-	251,798	313,252
Hosting and software licenses	110,999	97,897	283,839	283,200
Stock based compensation	48,751	140,609	131,231	250,610
Facilities	59,086	62,700	206,776	216,151
Professional fees	66,885	64,169	250,153	174,276
Travel	59,697	58,428	215,397	185,584
Investor relations	31,272	44,931	93,503	125,954
Royalties	37,097	16,420	119,131	64,962
Computer expenses	65,913	30,619	252,724	89,492
Other	(12,067)	88,230	272,047	370,259
	2,952,851	2,430,996	8,441,591	7,784,509

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

19 Key management compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include management executives of the Company. Compensation provided to key management is as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2019 \$	2018 \$	2019 \$	2018 \$
Salaries and short-term employee benefits	162,517	136,750	487,551	359,879
Stock-based compensation	18,842	26,718	53,100	149,865
	181,359	163,468	540,651	509,744

20 Segmented information

The Company has identified one operating segment for its operations, the sale of healthcare information systems in the mental health, long-term care, community health service and hospital sectors. The majority of the Company's assets are located in Canada. The Company sells into three major geographic regions: Canada, the United States of America ("USA"), and the United Kingdom ("UK"). The Company has determined that it has a single reportable segment as the Company's decision makers review information on a consolidated basis.

The sales in each of these geographic locations for the three and nine months ended September 30, 2019 and 2018 are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2019 \$	2018 \$	2019 \$	2018 \$
Canada	1,634,996	1,668,366	5,685,622	5,695,287
USA	508,966	449,727	1,481,908	1,202,642
UK	251,700	-	499,734	-
	2,395,662	2,118,093	7,667,264	6,897,929

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

20 Segmented information (continued)

The total non-current assets in each of these geographic locations for the periods ended September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019	December 31, 2018
	\$	\$
Canada	15,630,052	12,345,694
USA	1,080	1,358
	15,631,132	12,347,052

21 Subsequent event

On October 21, 2019, 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.

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.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in Canadian Dollars)

21 Subsequent event (continued)

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.