

Vitalhub Corp.

**Unaudited Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022**

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Vitalhub Corp.
Interim Condensed Consolidated Statements of Financial Position
As at September 30, 2023 and December 31, 2022

(Unaudited)

(In Canadian dollars)

	September 30, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash	29,794,692	17,452,210
Accounts receivable, net of expected credit loss (Note 5)	11,238,049	11,411,441
Inventory	213,648	704,407
Prepaid expenses	1,123,631	998,514
	42,370,020	30,566,572
Non-current assets		
Property and equipment (Note 6)	686,311	663,469
Intangible assets (Note 7)	29,470,997	30,845,739
Right-of-use assets (Note 12)	538,849	766,467
Goodwill (Note 8)	44,236,062	43,344,497
	117,302,239	106,186,744
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	6,360,162	6,022,394
Contingent consideration (Note 11)	2,396,145	2,801,376
Income taxes payable	221,375	41,705
Lease liabilities (Note 12)	436,150	372,457
Deferred revenue	22,211,754	14,579,698
	31,625,586	23,817,630
Long term liabilities		
Lease liabilities (Note 12)	221,966	509,738
Deferred revenue	332,875	915,763
Deferred tax liability	5,196,188	5,545,170
	37,376,615	30,788,301
Shareholders' equity		
Share capital (Note 13)	79,904,575	79,729,340
Share-based payment reserve (Note 13 (c))	4,687,359	3,854,461
Deferred share units payment reserve (Note 13 (d))	351,060	253,500
Warrant reserve (Note 13 (e))	445,681	445,681
Accumulated other comprehensive loss	(633,817)	(444,609)
Deficit	(4,829,234)	(8,439,930)
	79,925,624	75,398,443
	117,302,239	106,186,744

Approved by the Board

(Signed) Dan Matlow _____

Director

(Signed) Barry Tissenbaum _____

Director

Vitalhub Corp.
Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the three and nine months ended September 30, 2023 and 2022

(Unaudited)

(In Canadian dollars)

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
	\$	\$	\$	\$
Revenue				
Term licences, maintenance and support	10,821,758	7,657,559	31,029,887	20,623,096
Perpetual licences	57,858	204,233	623,314	3,121,009
Services	1,944,697	1,582,037	6,029,460	4,056,591
Hardware	396,290	302,032	1,201,019	797,198
Other	3,661	34,692	21,199	83,315
Total revenue	13,224,264	9,780,553	38,904,879	28,681,209
Cost of sales	2,392,707	1,952,398	7,333,455	5,032,259
Gross profit	10,831,557	7,828,155	31,571,424	23,648,950
Expenses				
General and administrative	2,683,879	2,159,870	8,853,440	6,165,619
Sales and marketing	1,466,675	1,076,673	4,488,319	3,148,312
Research and development	3,167,468	2,549,466	8,981,113	7,208,055
Depreciation of property and equipment (Note 6)	84,202	69,992	242,370	173,865
Depreciation of right-of-use assets (Note 12)	100,951	64,158	298,600	179,640
Share-based compensation (Note 13 (c))	266,784	289,019	838,425	872,803
Deferred share-based compensation (Note 13 (d))	-	-	97,560	-
Foreign currency loss (gain)	103,766	(109,607)	(55,319)	56,573
	7,873,725	6,099,571	23,744,508	17,804,867
Income before amortization of intangible assets, business acquisition, restructuring and integration costs, loss on change in fair value of contingent consideration, interest expense and accretion (net of interest income), interest expense from lease liabilities, loss (gain) on disposal of property and equipment and income taxes	2,957,832	1,728,584	7,826,916	5,844,083
Amortization of intangible assets (Note 7)	1,066,767	847,818	3,191,228	2,327,016
Business acquisition, restructuring and integration costs (Note 4)	216,729	473,669	1,228,094	1,416,733
Loss on change in fair value of contingent consideration (Note 11)	-	-	246,325	-
Interest expense and accretion (net of interest income)	(160,917)	(75,059)	(237,272)	30,626
Interest expense from lease liabilities (Note 12)	16,812	72,658	57,156	105,594
Loss (gain) on disposal of property and equipment (Note 6)	(2,102)	-	(2,102)	1,057
	1,137,289	1,319,086	4,483,429	3,881,026
Income before income taxes	1,820,543	409,498	3,343,487	1,963,057
Provision for income taxes				
Current	(66,481)	225,270	584,573	365,618
Deferred	(940,053)	143,451	(851,782)	44,469
	(1,006,534)	368,721	(267,209)	410,087
Net income	2,827,077	40,777	3,610,696	1,552,970
Other comprehensive income (loss)				
Foreign currency translation loss	(166,009)	(332,356)	(189,208)	(4,245,022)
Comprehensive income (loss)	2,661,068	(291,579)	3,421,488	(2,692,052)
Income per share				
Basic	0.07	0.01	0.09	0.03
Diluted	0.07	0.01	0.08	0.03
Weighted average number of shares outstanding				
Basic	43,657,411	43,381,770	43,703,643	48,480,050
Diluted	46,215,618	44,647,770	46,261,850	49,746,050

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

Vitalhub Corp.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2023 and 2022

(Unaudited)

(In Canadian dollars)

	Number of common shares	Share capital	Share-based payment reserve	Deferred share units payment reserve	Warrant reserve	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	36,939,428	61,142,937	2,755,986	253,500	465,235	(138,347)	(9,654,566)	54,824,745
Shares issued from financing (Note 13 (b)i))	5,645,200	16,297,935	-	-	-	-	-	16,297,935
Acquisition of Beautiful Information Limited (Note 4 (a))	90,266	258,214	-	-	-	-	-	258,214
Acquisition of Hicom Technology Limited (Note 4 (b))	475,104	1,338,715	-	-	-	-	-	1,338,715
Repurchase of common shares (Note 13 (b)ii))	(16,500)	(39,498)	-	-	-	-	-	(39,498)
Stock options exercised (Note 13 (c))	154,500	269,725	(12,325)	-	-	-	-	257,400
Share-based compensation (Note 13 (c))	-	-	872,803	-	-	-	-	872,803
Warrants exercised (Note 13 (e))	45,750	115,630	-	-	(19,553)	-	-	96,077
Net income and comprehensive loss for the period	-	-	-	-	-	(4,245,022)	1,552,970	(2,692,052)
Balance, September 30, 2022	43,333,748	79,383,658	3,616,464	253,500	445,682	(4,383,369)	(8,101,596)	71,214,339
Balance, December 31, 2022	43,599,648	79,729,340	3,854,461	253,500	445,681	(444,609)	(8,439,930)	75,398,443
Repurchase of common shares (Note 13 (b)ii))	(12,900)	(39,069)	-	-	-	-	-	(39,069)
Acquisition of Coyote Software Corporation (Note 4 (e))	38,163	102,277	-	-	-	-	-	102,277
Stock options exercised (Note 13 (c))	60,000	112,027	(5,527)	-	-	-	-	106,500
Share-based compensation (Note 13 (c))	-	-	838,425	97,560	-	-	-	935,985
Net income and comprehensive loss for the period	-	-	-	-	-	(189,208)	3,610,696	3,421,488
Balance, September 30, 2023	43,684,911	79,904,575	4,687,359	351,060	445,681	(633,817)	(4,829,234)	79,925,624

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

Vitalhub Corp.**Interim Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30, 2023 and 2022**

(Unaudited)

(In Canadian dollars)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
	\$	\$
Operating activities		
Net income	3,610,696	1,552,970
Adjustments for:		
Depreciation of property and equipment (Note 6)	242,370	173,865
Depreciation of right-of-use assets (Note 12)	298,600	179,640
Amortization of intangible assets (Note 7)	3,191,228	2,327,016
Unrealized foreign exchange (loss) gain	(55,319)	56,573
Loss (gain) on disposal of property and equipment (Note 6)	(2,102)	1,057
Change in fair value and accretion of contingent consideration (Note 11)	257,989	-
Interest expense from lease liabilities (Note 12)	57,156	105,594
Share-based compensation (Note 13 (c))	838,425	872,803
Deferred share-based compensation (Note 13 (d))	97,560	-
Changes in working capital		
Accounts receivable, net of expected credit loss	451,420	1,341,622
Inventory	490,759	(154,119)
Prepaid expenses	(111,361)	(232,966)
Accounts payable and accrued liabilities	221,728	(1,895,859)
Deferred revenue	6,745,793	4,160,054
Income taxes payable	190,245	(65,076)
Deferred tax liability	(822,357)	(438,391)
	15,702,830	7,984,783
Investing activities		
Purchase of property and equipment (Note 6)	(227,622)	(113,278)
Purchase of intangible assets (Note 7)	(29,394)	-
Acquisition of Beautiful Information Limited (net of cash acquired) (Note 4 (a))	-	(2,302,436)
Acquisition of Hicom Technology Limited (net of cash acquired) (Note 4 (b))	-	(10,946,401)
Acquisition of Coyote Software Corporation (net of cash acquired) (Note 4 (e))	(1,835,129)	-
Payments of contingent consideration (Note 11)	(1,111,342)	(600,664)
	(3,203,487)	(13,962,779)
Financing activities		
Proceeds from Scotiabank loan	-	9,999,982
Proceeds from issuance of shares - net of issuance costs (Note 13 (b)i))	-	16,297,935
Principal payments on loans payable	-	(1,102,742)
Principal payments on lease liabilities (Note 12)	(282,012)	(236,338)
Repurchase of common shares (Note 13 (b)iii))	(39,069)	(39,498)
Proceeds from exercise of options (Note 13 (c))	106,500	257,400
Proceeds from exercise of warrants (Note 13 (e))	-	96,077
	(214,581)	25,272,816
Effect of foreign exchange rate changes on cash	57,720	381,083
Increase in cash	12,342,482	19,675,903
Cash, beginning of the period	17,452,210	16,389,982
Cash, end of the period	29,794,692	36,065,885

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

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Unaudited)

(In Canadian dollars)

1. Description of business

Vitalhub Corp. and its subsidiaries (the "Company") provide technology to Health and Human Service providers including; Hospitals, Regional Health Authorities, Mental Health, Long-Term Care, Home Health, Community and Social Services. Vitalhub solutions span the categories of Electronic Health Records (EHR), Case Management, Care Coordination, Patient Flow and Operational Visibility and Mobile Apps.

Vitalhub Corp. has nine wholly owned subsidiaries: Vitalhub (PVT) Ltd, H.I.Next LLC, Vitalhub UK Limited, S12 Solutions Limited, Vitalhub Australia PTY Ltd, Hicom Technology Limited, Community Data Solutions, MyPathway Solutions Limited, and Coyote Software Corporation.

On January 1, 2023, Oculys Health Informatics Inc., a wholly owned subsidiary of the Company was amalgamated with Vitalhub Corp. On January 1, 2023, Intouch with Health Limited, Transforming Systems Limited., Alamac Limited, and Beautiful Information Limited, wholly owned subsidiaries of the Company were amalgamated with Vitalhub UK Limited.

The Company's shares trade on the TSX 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 Chartered Professional Accountants Canada ("CPA Canada Handbook"). These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The disclosures contained in these unaudited 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, 2022.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 9, 2023.

3. Summary of significant accounting policies

The accounting policies applied in these unaudited 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, 2022.

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 Beautiful Information Limited

On January 27, 2022, the Company acquired all of the issued and outstanding shares of Beautiful Information Limited ("Beautiful Information"). Beautiful Information is a UK-based company, which offers unique real-time information to NHS trusts to help them plan and resource clinical services to meet hourly fluctuations in patient flow.

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.

Consideration	
Cash consideration on closing	\$ 2,224,123
Cash held in escrow	358,174
Issued shares (90,266 shares issued at \$2.96/share)	267,483
	\$ 2,849,780
Purchase price allocation	
Cash	\$ 279,861
Accounts receivable	616,900
Prepays	10,649
Property and equipment	1,795
Accounts payable and accrued liabilities	(136,182)
Loans payable	(76,822)
Deferred revenue	(408,885)
Income taxes payable	(17,574)
Deferred tax liability	(404,932)
Acquired technology	204,370
Customer relationships	1,430,591
Goodwill	1,350,009
	\$ 2,849,780

During the three and nine months ended September 30, 2023, the Company incurred \$297 and \$3,375 in acquisition, restructuring and integration costs with this acquisition (three and nine months ended September 30, 2022 - \$4,370 and \$170,299). These costs are included and separately disclosed in the unaudited interim condensed consolidated statements of operations and comprehensive income (loss).

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited)

(In Canadian dollars)

4. Business acquisitions (continued)

b) Acquisition of Hicom Technology Limited

On April 25, 2022, the Company acquired all of the issued and outstanding shares of Hicom Technology Limited (“Hicom”), a company incorporated and registered in England and Wales. Hicom is a developer of software that automates healthcare and business processes across a diverse 200+ strong client base.

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.

Consideration	
Cash consideration on closing	\$ 11,637,713
Cash held in escrow	1,297,836
Issued shares (475,104 shares issued at \$2.98/share)	1,338,715
Fair value of contingent consideration	1,739,650
	\$ 16,013,914
Purchase price allocation	
Cash	\$ 1,989,148
Accounts receivable	2,660,802
Prepays	196,787
Property and equipment	194,574
Accounts payable and accrued liabilities	(2,141,747)
Deferred revenue	(1,841,883)
Income taxes payable	(130,131)
Deferred tax liability	(2,303,641)
Acquired technology	1,427,620
Customer relationships	7,170,544
Brand	454,243
Goodwill	8,337,598
	\$ 16,013,914

The Company has a contingent consideration in the amount of \$1,739,650 payable over a two-year period after the closing and is contingent upon meeting certain revenue targets.

During the three and nine months ended September 30, 2023, the Company incurred \$102,414 and \$624,286 in acquisition, restructuring and integration costs with this acquisition (three and nine months ended September 30, 2022 - \$296,928 and \$726,553). These costs are included and separately disclosed in the unaudited interim condensed consolidated statements of operations and comprehensive income (loss).

c) Acquisition of Community Data Solutions

On October 11, 2022, the Company acquired all of the issued and outstanding shares of Community Data Solutions (“CDS”), a company incorporated and conducting business in Australia. CDS offers an online case management system and supporting products serving 350+ agencies located in all states and internal territories of Australia.

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 CDS acquisition has been completed using provisional amounts within these unaudited interim condensed consolidated financial statements.

Consideration	
Cash consideration on closing	\$ 6,399,596
Cash held in escrow	711,067
	\$ 7,110,663
Purchase price allocation	
Cash	\$ 706,965
Accounts receivable	513,517
Prepays	30,554
Property and equipment	17,108
Accounts payable and accrued liabilities	(626,184)
Deferred revenue	(643,912)
Income taxes payable	(102,652)
Deferred tax liability	(958,478)
Acquired technology	355,657
Customer relationships	3,261,631
Brand	199,515
Goodwill	4,356,942
	\$ 7,110,663

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited)

(In Canadian dollars)

4. Business acquisitions (continued)

c) Acquisition of Community Data Solutions (continued)

During the three and nine months ended September 30, 2023, the Company incurred \$34,530 and \$102,890 in acquisition, restructuring and integration costs with this acquisition. These costs are included and separately disclosed in the unaudited interim condensed consolidated statements of operations and comprehensive income (loss).

d) Acquisition of Advanced Digital Innovation (UK) Limited

On November 4, 2022, the Company acquired certain assets to maintain the business of Advanced Digital Innovation (UK) Limited ("ADI") with the product widely known as MyPathway. MyPathway is a digital health platform which is used to improve patient interactions during treatment.

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.

Consideration	
Cash consideration on closing	\$ 380,020
	\$ 380,020
Purchase price allocation	
Accounts receivable	\$ 19,775
Deferred revenue	(324,542)
Acquired technology	52,971
Customer relationships	290,117
Brand	11,788
Goodwill	329,911
	\$ 380,020

During the three and nine months ended September 30, 2023, the Company incurred \$197 and \$12,945 in acquisition, restructuring and integration costs with this acquisition. These costs are included and separately disclosed in the unaudited interim condensed consolidated statements of operations and comprehensive income (loss).

e) Acquisition of Coyote Corporation Software

On January 20, 2023, the Company acquired all of the issued and outstanding shares of Coyote Software Corporation ("Coyote"). Coyote is a Canadian-based company, that specializes in tailored software solutions that streamline the workflows of health and social service organizations.

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 Coyote acquisition has been completed using provisional amounts within these unaudited interim condensed consolidated financial statements.

Consideration	
Cash consideration on closing	\$ 1,925,699
Cash held in escrow	339,829
Issued shares (38,163 shares issued at \$2.68/share)	102,277
Fair value of contingent consideration	426,000
	\$ 2,793,805
Purchase price allocation	
Cash	\$ 430,399
Accounts receivable	278,028
Prepays	13,756
Property and equipment	5,322
Accounts payable and accrued liabilities	(116,040)
Deferred revenue	(303,375)
Income taxes recoverable	10,575
Deferred tax liability	(473,375)
Acquired technology	230,000
Customer relationships	1,490,000
Brand	61,000
Goodwill	1,167,515
	\$ 2,793,805

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited)

(In Canadian dollars)

4. Business acquisitions (continued)

e) Acquisition of Coyote Corporation Software (continued)

In addition, the Company has a contingent consideration in the amount of \$426,000 payable over a three-year period after closing and is contingent upon meeting certain revenue targets.

During the three and nine months ended September 30, 2023, the Company incurred \$8,734 and \$223,567 in acquisition, restructuring and integration costs with this acquisition. These costs are included and separately disclosed in the unaudited interim condensed consolidated statements of operations and comprehensive income (loss).

5. Accounts receivable

	September 30, 2023	December 31, 2022
	\$	\$
Trade accounts receivable	10,861,465	10,124,822
Other receivables	728,520	1,649,854
	11,589,985	11,774,676
Expected credit loss provision	(351,936)	(363,235)
Net carrying value	11,238,049	11,411,441

6. Property and equipment

	Computers	Furniture & fixtures	Leasehold improvements	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2021	415,771	295,226	155,603	866,600
Acquisitions (Note 4)	196,984	16,493	-	213,477
Additions	266,837	-	-	266,837
Disposals	(2,985)	-	-	(2,985)
Effect of movements in exchange rates	(96,755)	(28,055)	(20,954)	(145,764)
Balance, December 31, 2022	779,852	283,664	134,649	1,198,165
Acquisitions (Note 4)	2,488	2,834	-	5,322
Additions	220,775	6,847	-	227,622
Disposals	(5,913)	(1,861)	(8,939)	(16,713)
Effect of movements in exchange rates	28,643	6,597	(546)	34,694
Balance, September 30, 2023	1,025,845	298,081	125,164	1,449,090
Accumulated depreciation				
Balance, December 31, 2021	164,815	116,024	52,161	333,000
Depreciation expense	157,061	75,179	18,047	250,287
Disposals	(1,928)	-	-	(1,928)
Effect of movements in exchange rates	(25,184)	(19,594)	(1,885)	(46,663)
Balance, December 31, 2022	294,764	171,609	68,323	534,696
Depreciation expense	178,120	47,888	16,362	242,370
Disposals	(6,489)	(3,387)	(8,939)	(18,815)
Effect of movements in exchange rates	7,206	5,562	(8,240)	4,528
Balance, September 30, 2023	473,601	221,672	67,506	762,779
Net book value as at:				
December 31, 2022	485,088	112,055	66,326	663,469
September 30, 2023	552,244	76,409	57,658	686,311

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Unaudited)

(In Canadian dollars)

7. Intangible assets

	Acquired technologies	Customer relationships	Brands	Training videos	Patents and trademarks	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	5,013,590	20,281,447	1,218,862	80,038	1,546	26,595,483
Acquisitions (Note 4)	2,040,618	12,152,883	665,546	-	-	14,859,047
Additions	-	-	-	28,210	-	28,210
Effect of movements in exchange rates	(140,789)	(228,080)	(17,616)	(3,011)	-	(389,496)
Balance, December 31, 2022	6,913,419	32,206,250	1,866,792	105,237	1,546	41,093,244
Acquisitions (Note 4)	230,000	1,490,000	61,000	-	-	1,781,000
Additions	-	-	-	29,394	-	29,394
Disposals	-	-	-	-	(1,546)	(1,546)
Effect of movements in exchange rates	22,615	(22,217)	(769)	29,389	-	29,018
Balance, September 30, 2023	7,166,034	33,674,033	1,927,023	164,020	-	42,931,110
Accumulated amortization						
Balance, December 31, 2021	1,387,663	5,305,838	274,600	42,326	-	7,010,427
Amortization expense	948,885	2,130,211	180,513	20,049	145	3,279,803
Effect of movements in exchange rates	(6,237)	(33,511)	(1,747)	(1,230)	-	(42,725)
Balance, December 31, 2022	2,330,311	7,402,538	453,366	61,145	145	10,247,505
Amortization expense	851,308	2,149,562	165,367	23,610	1,381	3,191,228
Disposals	-	-	-	-	(1,546)	(1,546)
Effect of movements in exchange rates	321	(6,055)	(7)	28,647	20	22,926
Balance, September 30, 2023	3,181,940	9,546,045	618,726	113,402	-	13,460,113
Net book value as at:						
December 31, 2022	4,583,108	24,803,712	1,413,426	44,092	1,401	30,845,739
September 30, 2023	3,984,094	24,127,988	1,308,297	50,618	-	29,470,997

8. Goodwill

	\$
Balance, December 31, 2021	29,322,077
Additions through business combinations (Note 4)	14,374,460
Effect of movements in exchange rates	(352,040)
Balance, December 31, 2022	43,344,497
Additions through business combinations (Note 4)	1,167,515
Effect of movements in exchange rates	(275,950)
Balance, September 30, 2023	44,236,062

9. Accounts payable and accrued liabilities

	September 30, 2023	December 31, 2022
	\$	\$
Trade accounts payable and accrued liabilities	1,642,696	2,120,541
Accrued payroll and related compensation	2,735,225	2,261,528
Government remittances	1,824,872	1,425,268
Royalties payable	157,369	215,057
	6,360,162	6,022,394

Vitalhub Corp.

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(Unaudited)

(In Canadian dollars)

10. Loans payable

The Company has an agreement with The Bank of Nova Scotia (“Scotia”) to provide a \$6,000,000 operating credit limit, and a \$27,000,000 revolving term facility. The operating credit limit bears interest at Scotia’s prime rate plus 1%. The revolving term facility, bears interest at Scotia’s prime rate plus a spread per annum as follows: Funded debt/EBITDA greater than 2.5x plus 2.75%, Funded debt/EBITDA equal to or less than 2.5x plus 1.5%. The facilities are 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.

The Company is subject to maintain the following covenants:

- i) Funded Debt to EBITDA ratio, calculated on a trailing 12-month basis that is:
 1. equal to or less than 3.00:1, from July 1, 2022 to June 30th, 2023; and,
 2. equal to or less than 2.50:1, from July 1, 2023 and thereafter.
- ii) A Fixed Charge Coverage Ratio (calculated on a trailing 12-month basis that is) of not less than 1.20:1.

As at September 30, 2023, the Company is in compliance with all of its covenants, and has no debt outstanding.

11. Contingent consideration

	\$
Balance, December 31, 2021	1,924,292
Additions through business combinations (Note 4)	1,739,650
Payments	(1,516,310)
Accretion	15,552
Change in fair value	695,402
Effect of movements in exchange rates	(57,210)
Balance, December 31, 2022	2,801,376
Additions through business combinations (Note 4)	426,000
Payments made	(1,111,342)
Accretion	11,664
Change in fair value	246,325
Effect of movements in exchange rates	22,122
Balance, September 30, 2023	2,396,145

12. Lease liabilities

The following table reconciles the Company’s operating lease obligations to the lease obligations recognized:

<u>Right of use asset</u>	<u>Premise lease</u>
Cost	\$
Balance, December 31, 2021	1,305,948
Additions	499,599
Effect of movements in exchange rates	(212,198)
Balance, December 31, 2022	1,593,349
Additions	56,183
Disposals	(25,348)
Effect of movements in exchange rates	25,527
Balance, September 30, 2023	1,649,711

Vitalhub Corp.**Notes to the Interim Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**

(Unaudited)

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12. Lease liabilities (continued)

Accumulated amortization	\$
Balance, December 31, 2021	598,596
Amortization	342,863
Effect of movements in exchange rates	(114,577)
Balance, December 31, 2022	826,882
Amortization	298,600
Disposals	25,348
Effect of movements in exchange rates	(39,968)
Balance, September 30, 2023	1,110,862

Net book value as at:

December 31, 2022	766,467
September 30, 2023	538,849

Lease liabilities	Premise lease
	\$
Balance, December 31, 2021	763,352
Additions	499,599
Financing costs	29,431
Payments	(410,187)
Balance, December 31, 2022	882,195
Additions	56,183
Financing costs	57,156
Payments	(282,012)
Effect of movements in exchange rates	(55,406)
Balance, September 30, 2023	658,116
Current portion of lease liabilities	436,150
Long-term portion of lease liabilities	221,966
Balance, September 30, 2023	658,116

13. 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

- i) On April 21, 2022, the Company completed a bought deal offering under which 5,645,200 common shares were issued at \$3.10 per common share for total gross proceeds of \$17,500,120. The Company paid agent fees and commissions of \$952,286 and incurred additional costs of \$249,899 relating to professional and advisory services resulting in net proceeds of the bought deal of \$16,297,935.
- ii) During the nine months ended September 30, 2023, the Company repurchased 12,900 of its common shares for \$39,069 under a share repurchase program (during nine months ended September 30, 2022, the Company repurchased 16,500 of its common shares for \$39,498).

The share repurchase program provides that the Company may, during the 12-month period commencing August 29, 2022 and ending August 28, 2023, purchase up to 1,302,007 common shares. The price which the Company will pay for any such shares will be the prevailing market price at the time of acquisition. The aggregate number of shares purchased under this agreement shall not exceed on a daily basis: 7,866 shares, and on an aggregate basis over the term of the repurchase program until the occurrence of a termination event: 1,302,007 common shares, subject to certain prescribed exceptions.

Vitalhub Corp.

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13. Share capital (continued)

c) Share-based compensation and share-based payment reserve

A summary of changes in share-based compensation for the nine months ended September 30, 2023 and for the year ended December 31, 2022 is as follows:

Measurement date	Number of options #	Weighted average exercise price \$
Balance, December 31, 2021	2,468,203	2.17
Granted	520,000	2.78
Exercised	(495,500)	1.50
Forfeited	(42,497)	2.03
Balance, December 31, 2022	2,450,206	2.45
Granted	558,000	2.69
Exercised	(60,000)	1.78
Balance, September 30, 2023	2,948,206	2.48

The following tables summarize information about the Company's share options outstanding at September 30, 2023 and December 31, 2022.

Exercise price	September 30, 2023			December 31, 2022		
	Number of share options outstanding	Number of share options exercisable	Weighted average remaining contractual life	Number of share options outstanding	Number of share options exercisable	Weighted average remaining contractual life
\$1.45	20,000	20,000	0.24	20,000	20,000	0.99
\$1.50	200,000	200,000	4.59	205,000	205,000	5.21
\$1.65	90,000	90,000	4.16	90,000	90,000	4.91
\$1.80	70,000	70,000	0.56	125,000	125,000	1.02
\$2.03	532,503	532,503	3.76	532,503	414,224	2.63
\$2.33	95,000	-	4.13	95,000	-	4.87
\$2.66	875,000	564,176	3.01	555,000	385,421	2.91
\$2.67	80,000	28,891	3.88	80,000	-	4.62
\$2.71	148,000	-	7.66	-	-	-
\$2.75	90,000	-	4.88	-	-	-
\$2.77	150,000	66,668	3.62	150,000	-	4.36
\$2.85	50,000	50,000	3.00	50,000	50,000	3.75
\$2.90	157,703	96,378	5.28	157,703	56,949	3.88
\$2.98	40,000	18,888	3.57	40,000	-	4.32
\$3.05	70,000	36,941	3.35	70,000	-	4.10
\$3.07	85,000	42,499	3.50	85,000	-	4.25
\$3.15	195,000	146,241	2.75	195,000	97,497	3.50
	2,948,206	1,963,185	3.73	2,450,206	1,444,091	3.45

During the nine months ended September 30, 2023, 558,000 share options were issued (for the year ended December 31, 2022 - 520,000) with a weighted average aggregate value of \$871,589 at the date of grant (2022 - \$912,217) to employees.

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

	2023	2022
Share price	\$2.66 - \$2.75	\$2.67 - \$3.07
Exercise price	\$2.66 - \$2.75	\$2.67 - \$3.07
Expected volatility	54% - 79%	72% - 84%
Expected option life	5 - 10 years	5 years
Expected dividend yield	-	-
Expected forfeiture rate	-	-
Risk-free interest rate	2.71% - 3.96%	1.23% - 3.52%

During the three and nine months ended September 30, 2023, the Company recognized stock-based compensation expense of \$266,784 and \$838,425 (three and nine months ended September 30, 2022 - \$289,019 and \$872,803).

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Unaudited)

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13. Share capital (continued)

d) Deferred share units payment reserve

Measurement date	Number of deferred share units	Weighted average exercise price
	#	\$
Balance, December 31, 2021 and 2022	87,414	2.90
Issued	36,000	2.71
Balance, September 30, 2023	123,414	2.84

The fair value of the deferred share units granted to key management during the period were determined using the share price at the date of grant of \$2.71. For the nine months ended September 30, 2023, the Company recognized deferred share compensation expense of \$97,560 related to their fully vested deferred share units (nine months ended September 30, 2022 - nil).

e) Warrants

A summary of changes in warrants for the nine months ended September 30, 2023 and for the year ended December 31, 2022 is as follows:

Measurement date	Number of warrants	Weighted average exercise price
	#	\$
Balance, December 31, 2021	1,077,000	3.82
Exercised	(45,750)	2.10
Expired	(1,031,250)	3.90
Balance, December 31, 2022	-	-
Balance, September 30, 2023	-	-

14. Expenses by nature

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
	\$	\$	\$	\$
Business acquisition, restructuring and integration costs	216,729	473,669	1,228,094	1,416,733
Computer expenses	400,733	306,159	1,313,623	889,105
Consulting	584,478	481,256	1,581,652	1,763,655
Deferred share-based compensation	-	-	97,560	-
Depreciation and amortization	1,251,920	981,968	3,732,198	2,680,521
Facilities	127,470	54,370	393,367	229,087
Foreign currency loss (gain)	103,766	(109,607)	(55,319)	56,573
Loss on change in fair value of contingent consideration	-	-	246,325	-
Hardware	402,986	283,135	866,111	463,034
Hosting and software licenses	571,885	514,540	1,587,859	1,159,300
Insurance	60,426	43,661	197,444	116,827
Interest expense and accretion (net of interest income)	(144,105)	(2,401)	(180,116)	136,220
Investor relations	51,000	54,050	123,781	165,350
Marketing	126,310	151,037	390,768	290,563
Office and telephone	58,048	45,356	196,614	142,292
Other	72,108	80,458	251,610	242,323
Professional fees	103,741	191,145	652,764	584,187
Recruiting	4,623	55,124	13,449	89,070
Royalties	(63,035)	103,727	44,735	217,329
Salaries, wages and benefits	7,002,578	5,189,619	21,383,623	14,518,879
Share-based compensation	266,784	289,019	838,425	872,803
Transfer agent filing fees	28,485	18,655	91,018	298,379
Travel	176,791	166,115	565,807	385,922
	11,403,721	9,371,055	35,561,392	26,718,152

Vitalhub Corp.**Notes to the Interim Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**

(Unaudited)

(In Canadian dollars)

15. 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:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
	\$	\$	\$	\$
Salaries and short-term employee benefits	254,535	223,924	763,604	715,218
Share-based compensation	41,174	33,195	80,823	108,594
Deferred share-based compensation	97,560	-	97,560	-
	393,269	257,119	941,987	823,812

16. Segmented information

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

The revenues in each of these geographic locations for the three and nine months ended September 30, 2023 and 2022 are as follows:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
	\$	\$	\$	\$
Canada	2,743,687	2,628,275	8,309,804	6,505,222
USA	255,842	264,227	776,886	794,821
United Kingdom	8,519,735	6,679,817	25,144,325	20,651,664
Australia	1,171,774	97,395	3,500,346	256,802
Western Asia	421,228	78,898	871,835	319,205
Rest of the world	111,998	31,941	301,683	153,495
Total revenues	13,224,264	9,780,553	38,904,879	28,681,209

The total non-current assets in each of these geographic locations as at September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Canada	19,290,174	17,195,741
United Kingdom	47,591,556	50,363,314
USA	853	937
Sri Lanka	422,661	406,212
Australia	7,626,975	7,653,968
Total non-current assets	74,932,219	75,620,172