

Vitalhub Corp.

**Interim Condensed Consolidated Financial Statements
(Unaudited)**

**For the Three Months Ended
March 31, 2018**

Vitalhub Corp.

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Vitalhub Corp.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(in Canadian Dollars)

	Note	As at March 31, 2018 \$	As at December 31, 2017 \$
Assets			
Current assets			
Cash	6	3,399,813	4,543,281
Accounts receivable	7	1,673,201	376,895
Customer option receivable	5	1,695,777	-
Prepaid expenses		182,007	88,287
		6,950,798	5,008,463
Non-current assets			
Customer option receivable	5	1,154,687	-
Property and equipment	8	92,548	58,061
Intangible assets	9	6,846,758	2,027,910
Goodwill	5	5,356,499	1,623,479
		20,401,290	8,717,913
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	1,825,585	961,933
Loans payable	13	322,212	38,880
Contingent consideration	5	1,695,777	-
Deferred revenue		3,324,163	724,068
		7,167,737	1,724,881
Non-current liabilities			
Debentures	14	1,665,280	1,626,142
Deferred tax liability		1,180,290	65,290
Loans payable	13	325,964	145,800
Contingent consideration	5	1,154,687	-
Deferred revenue		202,921	75,000
		11,696,879	3,637,113
Shareholders' Equity			
Share capital	15(a)	11,817,078	8,257,036
Share-based payment reserve	15(b)	469,535	413,539
Warrants reserve	15(c)	1,255,229	1,257,732
Accumulated other comprehensive loss		1,943	(1,783)
Deficit		(4,839,374)	(4,845,724)
		8,704,411	5,080,800
		20,401,290	8,717,913
Subsequent event	19		

Approved by the Board of Directors

Daniel Matlow
Director

Barry Tissenbaum
Director

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

Vitalhub Corp.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

(in Canadian Dollars)

For the three months ended March 31			
	Note	2018 \$	2017 \$
Revenues			
Term licences, maintenance and support		931,718	128,653
Perpetual licences		1,721,905	-
Services and other		269,767	-
		2,923,390	128,653
Cost of sales		288,893	-
Gross profit		2,634,497	128,653
Operating expenses			
General and administrative		704,083	138,694
Sales and marketing		269,102	44,778
Research and development		911,662	229,188
Depreciation and amortization	8 & 9	350,085	488
Stock based compensation	15(b)	55,996	80,091
Acquisition, restructuring and related expenses	5	313,252	-
Foreign currency gain		(1,225)	-
		2,602,955	493,239
Income (loss) from operations		31,542	(364,586)
Financing expenses			
Interest expense		116,192	627
Net loss before income taxes for the period		(84,650)	(365,213)
Deferred tax (recovery)		(91,000)	-
Net income (loss) for the period		6,350	(365,213)
Exchange differences on translating foreign operations		3,726	-
Net income (loss) and other comprehensive income (loss) for the period		10,076	(365,213)
Net income (loss) per share			
Basic and diluted income (loss) per share	16	0.00	(0.01)
Weighted average number of shares outstanding			
Basic and diluted	16	124,929,400	34,424,445

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

Vitalhub Corp.

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(in Canadian Dollars)

		Share capital						
	Note	Number #	Amount \$	Share-based payment reserve \$	Warrants reserve \$	Accumulated other comprehensive loss \$	Deficit \$	Shareholders' equity \$
Balance - January 1, 2017		34,424,445	2,679,609	142,733	234,326	-	(2,477,078)	579,590
Stock based compensation		-	-	80,091	-	-	-	80,091
Net loss and comprehensive loss for the period		-	-	-	-	-	(365,213)	(365,213)
Balance - March 31, 2017		34,424,445	2,679,609	222,824	234,326	-	(2,842,291)	294,468
Brokered private placement		32,726,015	2,272,589	-	583,931	-	-	2,856,520
Acquisition of subsidiary (net of share issuance costs)		13,928,571	1,357,179	-	-	-	-	1,357,179
Settlement of promissory note and debt		588,321	70,598	-	14,988	-	-	85,586
Non-brokered private placements		18,239,352	1,580,685	-	352,724	-	-	1,933,409
Debentures (equity component)		2,951,270	296,376	-	83,977	-	-	380,353
Expiry of warrants		-	-	-	(12,214)	-	12,214	-
Stock based compensation		-	-	190,715	-	-	-	190,715
Net loss and comprehensive loss for the period		-	-	-	-	(1,783)	(2,015,647)	(2,017,430)
Balance - December 31, 2017		102,857,974	8,257,036	413,539	1,257,732	(1,783)	(4,845,724)	5,080,800
Acquisition of subsidiaries	5	22,027,735	3,553,304	-	-	-	-	3,553,304
Warrants exercised	15(c)	38,500	6,738	-	(2,503)	-	-	4,235
Stock based compensation	15(b)	-	-	55,996	-	-	-	55,996
Net income and comprehensive income for the period		-	-	-	-	3,726	6,350	10,076
Balance - March 31, 2018		124,924,209	11,817,078	469,535	1,255,229	1,943	(4,839,374)	8,704,411

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

Vitalhub Corp.

Interim Condensed Consolidated Statements of Cash Flow (Unaudited)

(in Canadian Dollars)

For the three months ended March 31			
	Note	2018 \$	2017 \$
Cash provided by (used in)			
Operating activities			
Net income (loss) and other comprehensive income (loss) for the period		6,350	(365,213)
Items not affecting cash			
Amortization of property and equipment		6,933	488
Amortization of intangible assets		343,152	-
Deferred tax recovery		(91,000)	-
Interest expense		51,413	-
Stock based compensation		55,996	80,091
Net change in non-cash working capital	17	(939,896)	(104,426)
Cash provided by (used in) operating activities		(567,052)	(389,060)
Investing activities			
Purchase of property and equipment		(14,017)	(5,723)
Acquisition of subsidiaries (net of cash acquired)		(66,727)	-
Cash provided by (used in) investing activities		(80,744)	(5,723)
Financing activities			
Principal payments on promissory note		-	(6,030)
Principal payments on loans payable		(503,633)	-
Proceeds from exercise of warrants		4,235	-
Cash provided by (used in) financing activities		(499,398)	(6,030)
Effect of foreign currency on cash		3,726	-
Decrease in cash during the period		(1,143,468)	(400,813)
Cash - Beginning of the period		4,543,281	1,143,370
Cash - End of the period		3,399,813	742,557
Supplemental disclosures			
Interest paid		(167,607)	627
Customer option proceeds remitted to vendor through contingent consideration		635,983	-

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 (Unaudited)

For the three months ended March 31, 2018

(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, mobile and web-based assessment and electronic healthcare record solutions.

Vitalhub Corp. has four subsidiaries: B Sharp Technologies Inc., B Sharp Lanka (PVT) Ltd., H.I.Next Inc., and H.I.Next LLC, all with 100% ownership.

The Company’s shares trade on the TSXV Venture exchange under the symbol “VHI”. The Company is incorporated and domiciled in Canada. The address of its registered office is 1 Valleybrook Drive, Suite 206, Toronto, Ontario, M3B 2S7.

2 Basis of Presentation

General

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 unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

3 Summary of significant accounting policies

Except for the adoption of IFRS 15, the accounting policies applied in these unaudited interim condensed consolidated financial statements are consistent with those disclosed in Note 4 to the annual consolidated financial statements for the year ended December 31, 2017.

Revenue Recognition

Revenue represents the fair value of consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company generates revenue from the sale of perpetual and annual renewable software licenses, maintenance and support, professional services and other miscellaneous income. Certain agreements provide for the delivery of application software and continuing post contract services, such as maintenance and support for the application software sold.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(in Canadian Dollars)

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

a) Perpetual software licenses

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

b) Annual renewable software licenses

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

c) Post contract maintenance and support

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.

d) Consulting and professional services

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

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(in Canadian Dollars)

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

e) Other income

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 customer reimbursement of travel related expenses incurred during a project implementation. Revenue is recognized as costs are incurred which is consistent with the period in which the costs are invoiced.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in other receivables. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

New Standards adopted as of January 1, 2018

IFRS, 15 Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers replaces the guidance in IAS 18 - Revenue and IAS 11 - Construction Contracts. The standard contains a single model that applies to contracts with customers, the model features a contract-based five step analysis of transactions to determine the nature, amount, and timing of revenue and cash flows arising from an entity's contract with a customer, regardless of the type of revenue transaction or the industry.

The adoption of this standard on January 1, 2018 by the Company had no impact on the previously reported assets, liabilities and net assets of the Company, and accordingly; no adjustments have been recorded in the comparative interim condensed consolidated financial statements.

IFRS, 9 Financial Instruments

IFRS 9 – Financial Instruments replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available for-sale and loans and receivable. The new standard establishes two primary measurement categories for financial assets – amortized cost and fair value and establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics.

The adoption of this standard on January 1, 2018 by the Company had no impact on the previously reported assets, liabilities and net assets of the Company, and accordingly; no adjustments have been recorded in the comparative interim condensed consolidated financial statements.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(in Canadian Dollars)

4 Significant accounting judgments and estimation uncertainties

The preparation of financial statements requires management to use judgment, estimates and assumptions in applying its accounting policies and in determining the amounts reported in the interim condensed consolidated financial statements. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

The accounting policies, significant accounting judgments and estimations used in the preparation of these interim condensed consolidated financial statements were the same as those used in preparing the annual consolidated financial statements for the year ended December 31, 2017.

5 Business acquisitions

a) Acquisition of B Sharp Technologies

On October 5, 2017, pursuant to an acquisition agreement (the "agreement") the Company acquired all of the issued and outstanding securities of B Sharp Technologies Inc. and B Sharp Lanka (PVT) Ltd. ("B Sharp"). B Sharp develops and deploys client case management and electronic documentation solutions for healthcare, social services, and community care organizations. B Sharp also has software development operations in Sri Lanka.

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

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(in Canadian Dollars)

5 Business acquisitions (continued)

a) Acquisition of B Sharp Technologies (continued)

Purchase consideration	\$
Cash	1,839,700
Issued shares	1,367,044
Total purchase price	3,206,744
Allocated to identifiable assets acquired and liabilities assumed	
Accounts receivable	343,178
Prepaid expenses	38,873
Property and equipment	45,070
Bank indebtedness	(54,038)
Accounts payable and accrued liabilities	(286,945)
Loan payable	(194,488)
Deferred revenue	(294,885)
Deferred tax liability	(85,500)
Allocated to intangible assets and goodwill	
Customer relationships	1,675,000
Acquired technology	397,000
Goodwill	1,623,479
Total allocated	3,206,744

During the three month period ended March 31, 2018, the Company incurred \$224,772 (During the year ended December 31, 2017 - \$150,797) in acquisition, restructuring and related costs associated with this acquisition. These costs are included and separately disclosed in the interim condensed consolidated statements of operations and comprehensive loss.

b) Acquisition of H.I. Next Inc.

On January 10, 2018, pursuant to an acquisition agreement (the “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 (Unaudited)

For the three months ended March 31, 2018

(in Canadian Dollars)

5 Business acquisitions (continued)

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

The contingent consideration has been recorded as customer option receivable and a contingent consideration liability on the interim condensed consolidated statements of financial position at its estimated fair value. As at March 31, 2018, the fair value of the customer option receivable and contingent consideration liability was \$2,850,464, which reflects the initial value on closing less the cash payments made and accretion in the period.

During the three month period ended March 31, 2018, the customer has made the first two payments totalling \$500,000 US (\$635,983 CAD).

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

Purchase consideration	\$
Cash	297,476
Issued shares	3,207,407
Fair value of contingent consideration	3,378,599
Total purchase price	6,883,482
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	(832,683)
Deferred revenue	(666,936)
Deferred tax liability	(1,206,000)
Allocated to intangible assets and goodwill	
Customer relationships	4,371,000
Acquired technology	542,000
Goodwill	3,637,540
Total allocated	6,883,482

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(in Canadian Dollars)

5 Business acquisitions (continued)

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

During the three month period ended March 31, 2018, the Company incurred \$84,480 in acquisition, restructuring and related costs with this acquisition (During the year ended December 31, 2017 - \$128,781). These costs are included and separately disclosed in the interim condensed consolidated statements of operations and comprehensive loss.

The acquisition of HI Next resulted in revenue of \$2,175,156 and net income of \$1,404,795 which is included in the Company's results for the three month period ended March 31, 2018.

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

Purchase consideration	\$
Issued shares	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	210,000
Acquired technology	39,000
Goodwill	95,480
Total allocated	345,897

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(in Canadian Dollars)

5 Business acquisitions (continued)

c) Acquisition of Clarity HealthCare Solutions assets

During the three month period ended March 31, 2018, the Company incurred \$4,000 in acquisition, restructuring and related costs with this acquisition (During the year ended December 31, 2017 - \$8,700). These costs are included and separately disclosed in the interim condensed consolidated statements of operations and comprehensive loss.

The acquisition of Clarity resulted in revenue of \$32,509 which is included in the Company's results for the three month period ended March 31, 2018.

All of the goodwill recognized in connection with the Company's acquisitions is primarily attributable to the synergies the Company aims to achieve through leveraging its consolidated product offering, including an assembled workforce. All of the goodwill acquired is expected to be deductible for tax purposes in future years.

6 Cash

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

The Company has a second agreement with RBC to provide a \$250,000 revolving demand facility, bearing interest at RBC's prime rate plus 3%. The facility is secured by a general security agreement with a first ranking security interest over all property of the Company and guarantees and postponements of claim from the Company and subsidiaries of the Company.

As at March 31, 2018, no amounts have been drawn on the credit facilities.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(in Canadian Dollars)

7 Accounts receivable

	March 31 2018 \$	December 31 2017 \$
Trade accounts receivable	1,735,017	328,457
Other receivable	57,623	48,438
Allowance for doubtful accounts	(119,439)	-
	1,673,201	376,895

8 Property and equipment

	Computers \$	Furniture and Fixtures \$	Leasehold Improvements \$	Total \$
Cost - December 31, 2017	84,832	15,341	11,851	112,024
Acquisition from subsidiary	23,824	3,579	-	27,403
Additions	11,678	2,339	-	14,017
				-
Cost - March 31, 2018	120,334	21,259	11,851	153,444
Accumulated amortization - December 31, 2017	(41,351)	(11,786)	(826)	(53,963)
Amortization for the period	(5,426)	(640)	(867)	(6,933)
Accumulated amortization - March 31, 2018	(46,777)	(12,426)	(1,693)	(60,896)
Net book value - March 31, 2018	73,557	8,833	10,158	92,548
Net book value - December 31, 2017	43,481	3,555	11,025	58,061

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(in Canadian Dollars)

9 Intangible assets

	Acquired Technologies	Customer Relationships	Total
	\$	\$	\$
Cost - December 31, 2017	397,000	1,675,000	2,072,000
Additions	581,000	4,581,000	5,162,000
Cost - March 31, 2018	978,000	6,256,000	7,234,000
Accumulated amortization - December 31, 2017	(14,179)	(29,911)	(44,090)
Amortization for the period	(34,928)	(308,224)	(343,152)
Accumulated amortization - March 31, 2018	(49,106)	(338,135)	(387,242)
Net book value - March 31, 2018	928,894	5,917,865	6,846,758
Net book value - December 31, 2017	382,821	1,645,089	2,027,910

10 Accounts payable and accrued liabilities

	March 31 2018	December 31 2017
Note	\$	\$
Trade accounts payable and accrued liabilities	819,305	571,134
Accrued payroll and related compensation	707,237	139,855
Government remittances	255,217	207,820
Royalties payable	43,826	43,124
	1,825,585	961,933

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(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") in exchange for:

- a) 25% of the amount 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; accordingly. 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) The full amount of any GST/HST refund which may be paid to or claimed as an input credit by Vitalhub. The Company has not recognized an eligible HST claim/asset and accordingly; no liability has been recognized.
- c) 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.

The Company did not earn the applicable Net Revenues during the period commencing May 2, 2016 to December 31, 2016. During the period January 1, 2017 to December 31, 2017 the Company earned \$240,000 of Net Revenues pursuant to the BC agreement (January 1, 2018 to March 31, 2018 - \$nil) and accordingly the Company has accrued \$42,000 of royalties in accounts payable and accrued liabilities.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(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 at 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.

For the period commencing May 30, 2017 to December 31, 2017 the Company earned \$11,235 (January 1, 2018 to March 31, 2018 - \$nil) of license and maintenance revenue on the solution and accordingly has accrued \$1,124 of royalties in accounts payable and accrued liabilities.

13 Loans payable

	Note	March 31 2018 \$	December 31 2017 \$
RBC Business Loan	(a)	116,113	-
Business Development Bank of Canada Loan	(b)	174,960	184,680
The Health Technology Exchange Loan	(c)	357,103	-
		648,176	184,680
Less: Current portion		322,212	38,880
Non-current portion		325,964	145,800
Future principal repayments are as follows:			
	2018	322,212	38,880
	2019	228,764	38,880
	2020	38,880	38,880
	2021	38,880	38,880
	2022	19,440	29,160
		648,176	184,680

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

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13 Loans payable (continued)

- a) The RBC 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 Nov 30, 2016.

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 subsidiaries of 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.
- c) The Health Technology Exchange loan is 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.

14 Debentures

On December 7, 2017, the Company issued debentures of \$2,219,000 at a price of \$100 per debenture with a maturity date of December 7, 2020. Purchasers of the debentures also received common shares of the Company equal to 20% of the face value of the debenture, divided by \$0.15 for a total issuance of 2,951,270 bonus shares. The debentures bear interest at 12% per annum, payable semi-annually in arrears on June 30th and December 31st, with the first interest payment being made on December 31, 2017. Beginning one year after the date of issue, the Company has the right to redeem the debentures then outstanding, in whole or in part, at a premium of 5% to the face value of the debentures.

As the debentures are considered to be a compound financial instrument, the liability component and the equity components (the conversion right) are presented separately, as determined at the date of issue, using the residual method. The liability component of \$1,615,705 was determined by discounting the future stream of interest and principal repayments at the prevailing market rate of 20% for a comparable liability that does not have an associated equity component. The balance of \$296,376 was allocated to the equity component and is included in shareholders' equity in the Company's interim condensed consolidated statements of financial position.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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14 Debentures (continued)

The following table summarizes information about the Company's debentures as at March 31, 2018:

	Liability component \$	Equity component \$	Total \$
Balance - March 31, 2017	-	-	-
Present value of debentures issued	1,615,705	296,376	1,912,081
Accretion for the period	10,437	-	10,437
Balance - December 31, 2017	1,626,142	296,376	1,922,518
Accretion for the period	39,138	-	39,138
Balance - March 31, 2018	1,665,280	296,376	1,961,656

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.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

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15 Share capital (continued)

b) Share based compensation and share based payment reserve

A summary of changes in share-based compensation during the periods ended March 31, 2018 and 2017 is as follows:

	March 31, 2018		March 31, 2017	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Outstanding - beginning of the period	8,247,741	0.130	1,857,741	0.100
Share options granted in the period	975,000	0.195	1,565,000	0.120
Balance - end of the period	9,222,741	0.137	3,422,741	0.109
Exercisable - end of the period	6,010,644	0.122	2,862,741	0.100

The following table summarizes information about the Company's stock options outstanding at March 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	2.68	0.100	1,857,741	0.100
0.120	1,365,000	3.78	0.120	1,154,995	0.120
0.125	1,325,000	3.33	0.125	1,181,248	0.125
0.130	1,500,000	4.52	0.130	1,500,000	0.130
0.165	2,200,000	4.66	0.165	316,660	0.165
0.195	975,000	4.76	0.195	-	0.195
	9,222,741	3.93	0.137	6,010,644	0.122

During the three months ended March 31, 2018, 975,000 (March 31, 2017 - 1,565,000) stock options with a weighted average aggregate fair value of \$98,352 (975,000 at \$0.195 per option) at the date of grant (March 31, 2017 - \$119,185) were issued to directors, employees and non-employees.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

(in Canadian Dollars)

15 Share capital (continued)

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

The fair value of the stock options granted to employees during 2018 were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 10 2018
Risk-free interest rate (%)	1.57%
Expected volatility (%)	60.0%
Expected life (in years)	5
Expected dividends	\$nil

The computation of expected volatility was based on the historical volatility of comparable companies from a representative group of publicly traded software companies.

Share-based compensation expense of \$55,996 for the period ended March 31, 2018, is included in general and administrative expenses (March 31, 2017 - \$80,091).

The 975,000 options granted in 2018 vest equally 1/36 per month commencing from the date the options were granted, and are exercisable one year after the date on which the options were granted.

c) Warrants

A summary of changes in warrants during the periods ended March 31, 2018 and 2017 is as follows:

	March 31, 2018		March 31, 2017	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding - beginning of the period	53,016,380	0.176	6,902,358	0.143
Warrants exercised in the period	(38,500)	0.110	-	-
Balance - end of the period	52,977,880	0.176	6,902,358	0.143

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

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15 Share capital (continued)

c) Warrants (continued)

The following table summarizes information about the Company's warrants outstanding at March 31, 2018:

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
0.110	590,938	0.663	0.110	590,938	0.110
0.146	5,772,920	0.632	0.150	5,772,920	0.150
0.180	46,614,022	1.519	0.180	46,614,022	0.180
	52,977,880	1.413	0.176	52,977,880	0.176

d) Shares held in escrow

The escrow agreement relating to the reverse takeover transaction completed on November 28, 2016 provides share release equal to 10% upon completion of the initial public offering and listing on the TSXV Venture with the remaining shares to be released 15% six months following the initial release and 15% every six months thereafter until fully released.

The escrow agreement relating to the acquisition of B Sharp completed on October 5, 2017 provides share release to the former shareholders in six equal consecutive semi-annual distributions, the first of such distributions to occur on the six-month anniversary of the closing date of the acquisition. The portion of the share purchase price allocated to a third shareholder will be released in four equal consecutive semi-annual distributions, the first of such distributions to occur on the six-month anniversary of the closing date of the acquisition.

The escrow agreement relating to the acquisition of HI Next completed on January 10, 2018 provides share release to the former shareholders bi-annually in six equal amounts over the period of three years beginning with the date that is six months after the date of closing.

The escrow agreement relating to the acquisition of Clarity completed on January 19, 2018 provides share release to the former shareholder in four equal amounts over the period of twelve months beginning with the date that is three months after the date of closing.

As of March 31, 2018, a total of 24,655,723 shares remain in escrow.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018

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16 Net income (loss) per share

Basic and diluted

Basic and diluted income (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 year.

	For the three months ended March 31	
	2018 \$	2017 \$
Net income (loss) for the period	\$ 6,350	\$ (365,213)
Weighted average shares	124,929,400	34,424,445
Net basic and diluted loss per share	\$ 0.00	\$ (0.01)

17 Statements of cash flow

Components of the net change in non-cash working capital for the three months ended March 31, 2018 and 2017 are as follows:

	For the three months ended March 31	
	2018 \$	2017 \$
(Increase) decrease in current assets		
Accounts receivables	105,594	56,500
Customer option receivable	(3,378,599)	-
Prepaid expenses	26,469	9,331
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	282,216	(51,105)
Deferred revenue	2,024,424	(119,152)
	(939,896)	(104,426)

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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18 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 Company's sales are all in North America (Canada and the United States), with substantially all of the Company's identifiable assets as at March 31, 2018 being located in Canada.

19 Subsequent event

On May 4, 2018, the Company granted an aggregate of 2,350,000 stock options to certain of its employees, pursuant to the Company's incentive stock option plan. Each option is exercisable for one common share of the Company at an exercise price of \$0.15 per share and expires on the date that is five years from the date of grant.

The options granted vest equally 1/36 on a cumulative basis commencing from the date the options were granted to employees; however, holders are not entitled to exercise any vested options until one year after the date on which the option has been granted.

20 Comparatives

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period. The resulting reclassification has no effect on the net assets of the Company.