

Vitalhub Corp.

**Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2020 and 2019**

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.

For the Three Months Ended March 31, 2020 and 2019

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Vitalhub Corp.

Interim Condensed Consolidated Statements of Financial Position

As at March 31, 2020 and December 31, 2019

(in Canadian Dollars)

	2020	2019
	\$	\$
Assets		
Current assets		
Cash (Note 5)	15,550,177	1,995,691
Accounts receivable (Note 6)	4,053,777	1,773,595
Income taxes recoverable	6,958	7,232
Lease receivable	27,795	29,335
Prepaid expenses	253,214	243,042
	19,891,921	4,048,895
Non-current assets		
Property and equipment (Note 7)	319,013	329,774
Intangible assets (Note 8)	7,256,364	7,699,601
Right-of-use assets (Note 15)	737,958	791,419
Lease receivable	-	5,225
Goodwill (Note 9)	11,269,807	11,269,807
	39,475,063	24,144,721
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	2,756,493	2,264,909
Loans payable (Note 13)	400,204	418,155
Contingent consideration (Note 4)	478,482	502,830
Lease liabilities (Note 15)	207,055	207,435
Deferred revenue	3,551,717	2,217,414
	7,393,951	5,610,743
Long term liabilities		
Loans payable (Note 13)	1,095,618	1,196,159
Lease liabilities (Note 15)	612,110	654,989
	9,101,679	7,461,891
Shareholders' equity		
Share capital (Note 14 (b))	34,489,109	20,371,853
Share-based payment reserve (Note 14 (c))	964,942	933,616
Warrant reserve (Note 14 (d))	990,032	917,752
Accumulated other comprehensive income	35,963	1,813
Deficit	(6,106,662)	(5,542,204)
	30,373,384	16,682,830
	39,475,063	24,144,721

Approved by the Board

(Signed) Dan Matlow

Director

(Signed) 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 For the three months ended March 31, 2020 and 2019 (in Canadian Dollars)

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
Revenue		
Term licences, maintenance and support	1,796,894	1,180,750
Perpetual licences	589,504	142,529
Services and other	383,602	1,121,031
Total revenue	2,770,000	2,444,310
Cost of sales	904,807	675,476
Gross profit	1,865,193	1,768,834
Expenses		
General and administrative	703,278	577,880
Sales and marketing	273,496	155,924
Research and development	707,559	373,261
Depreciation (Note 7)	26,689	19,309
Depreciation of right-of-use assets (Note 15)	53,461	48,693
Stock based compensation (Note 14 (c))	46,071	35,872
Foreign currency gain	(101,431)	(23,335)
	1,709,123	1,187,604
Income before the undernoted items	156,070	581,230
Amortization of intangible assets (Note 8)	443,237	337,667
Business acquisition, restructuring and integration costs (Note 4)	248,908	53,362
Interest expense and accretion	24,966	116,081
Interest income from sublease	(729)	(490)
Interest expense from lease liabilities	20,880	9,985
Loss on right-of-use assets and lease liabilities (Note 15)	-	27,869
Loss on disposal of property and equipment (Note 7)	-	470
	737,262	544,944
(Loss) income before income tax	(581,192)	36,286
Provision for income taxes		
Current	(16,734)	2,941
Deferred	-	(28,200)
	(16,734)	(25,259)
Net (loss) income	(564,458)	61,545
Other comprehensive loss (gain)		
Foreign currency translation gain (loss)	34,150	(39,216)
Comprehensive (loss) gain	(530,308)	22,329
Earnings per share		
Basic	(0.03)	0.00
Diluted	(0.03)	0.00
Weighted average number of shares outstanding		
Basic	19,441,753	13,475,404
Diluted	19,441,753	13,475,404

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

Vitalhub Corp.

Interim Condensed Consolidated Statements of Shareholders' Equity

For the three months ended March 31, 2020 and 2019

(in Canadian Dollars)

	Number of common shares	Share capital \$	Share-based payment reserve \$	Warrant reserve \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total shareholders' equity \$
Balance, January 1, 2019	13,427,498	13,549,980	727,270	937,548	54,848	(5,648,990)	9,620,656
Non-brokered private placement (Note 14 (b))	2,062,500	2,391,931	-	893,164	-	-	3,285,095
Acquisition of The Oak Group (UK) Limited (Note 4 (a))	403,268	728,014	-	-	-	-	728,014
Warrants exercised (Note 14 (d))	93,500	183,530	-	(15,230)	-	-	168,300
Stock based compensation (Note 14 (c))	-	-	35,872	-	-	-	35,872
Net income and comprehensive (loss) for the year	-	-	-	-	(39,216)	61,545	22,329
Balance, March 31, 2019	15,986,766	16,853,455	763,142	1,815,482	15,632	(5,587,445)	13,860,266
Balance, December 31, 2019	18,017,912	20,371,853	933,616	917,752	1,813	(5,542,204)	16,682,830
Shares issued from financing (Note 14 (b))	8,506,300	14,077,511	-	72,280	-	-	14,149,791
Stock options exercised (Note 14 (c))	25,000	39,745	(14,745)	-	-	-	25,000
Stock based compensation (Note 14 (c))	-	-	46,071	-	-	-	46,071
Net (loss) and comprehensive income for the period	-	-	-	-	34,150	(564,458)	(530,308)
Balance, March 31, 2020	26,549,212	34,489,109	964,942	990,032	35,963	(6,106,662)	30,373,384

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

Vitalhub Corp.

Interim Condensed Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(in Canadian Dollars)

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
Operating activities		
Net loss	(564,458)	61,545
Adjustments for:		
Depreciation of property and equipment (Note 7)	26,689	19,309
Amortization of intangible assets (Note 8)	443,237	337,667
Amortization of right-of-use assets (Note 15)	53,461	48,690
Loss on right-of-use assets and lease liabilities	-	27,869
Unrealized foreign exchange gain	3,847	6,307
Loss on disposal of property and equipment (Note 7)	-	774
Deferred tax recovery	-	(28,200)
Interest and accretion expense	-	49,381
Interest expense from lease liabilities (Note 15)	20,880	9,985
Stock based compensation (Note 14 (c))	46,071	35,872
Operating income before changes in working capital	29,727	569,199
Changes in working capital		
Accounts receivables	(2,280,182)	(1,025,975)
Customer option receivable	-	450,297
Lease receivable	6,765	(2,596)
Prepaid expenses	(10,172)	(6,104)
Accounts payable and accrued liabilities	491,584	(108,154)
Contingent consideration	(24,348)	(517,356)
Deferred revenue	1,334,303	(78,685)
Income taxes recoverable (payable)	274	(14,929)
	(452,049)	(734,303)
Investing activities		
Purchase of property and equipment (Note 7)	(15,928)	(13,018)
Acquisition of Oak Group (net of cash acquired) (Note 4 (a))	-	(606,690)
	(15,928)	(619,708)
Financing activities		
Principal payments on loans payable (Note 13)	(118,492)	(99,572)
Principal payments on related party loans (Note 4 (d))	-	(955,648)
Principal payments on lease liabilities (Note 15)	(64,139)	(54,976)
Proceeds from issuance of shares - net of issuance costs (Note 14 (b))	14,149,791	-
Proceeds from non-brokered private placement - net (Note 14 (b))	-	3,285,095
Proceeds from exercise of options (Note 14 (c))	25,000	-
Proceeds from exercise of warrants (Note 14 (d))	-	168,300
	13,992,160	2,343,199
Effect of foreign exchange rate changes on cash and cash equivalents	30,303	(45,523)
Increase in cash	13,554,486	943,665
Cash, beginning of the period	1,995,691	2,805,993
Cash, end of the period	15,550,177	3,749,658

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 months ended March 31, 2020 and 2019

(in Canadian Dollars)

1. Description of business

VitalHub Corp. and its subsidiaries (the "Company") develop mission-critical technology solutions for Health and Human Services providers in the Mental Health (Child through Adult), Long Term Care, Community Health Service, Home Health, Social Service and Acute Care sectors. VitalHub technologies include Blockchain, Mobile, Patient Flow, Web-Based Assessment and Electronic Health Record solutions.

Vitalhub Corp. has four wholly owned subsidiaries: Vitalhub (PVT) Ltd., H.I.Next LLC, The Oak Group (UK) Limited., and Oculys Health Informatics Inc.

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 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, 2019.

On January 3, 2020, the Company completed a 1:10 reverse stock split. The exercise price or conversion price of, and the number of common shares issuable under, any convertible securities of the Company were proportionately adjusted upon completion of the reverse stock split. References in these interim condensed consolidated financial statements to share amounts, per share data, share prices, exercise prices and conversion prices have been adjusted to reflect the 1:10 reverse stock split.

3. Summary of significant accounting policies

Except for the adoption of IFRS 3, 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 three months ended March 31, 2019.

Amendment to IFRS 3 – Business Combinations

On October 22, 2018, the IASB issued Definition of a Business (Amendments to IFRS 3: Business Combinations). The amendments to IFRS 3 are applicable for acquisitions occurring on or after January 1, 2020 and are adopted prospectively. These amendments to the implementation guidance of IFRS 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments to IFRS 3 – Business Combinations may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill. The amendments did not have any impact on the Company's consolidated financial statements as a result of its adoption of the amendments to IFRS 3 on its acquisitions completed subsequent to the period end.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(in Canadian Dollars)

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 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, collectively known as ("The Oak Group"). The Oak Group provides software that helps manage the utilization of healthcare beds more effectively.

In addition, the Company has a contingent consideration in the amount of \$377,020 payable over a five-year period after the closing, which has been discounted using a risk-free rate of 18.9% and is contingent upon meeting certain revenue 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% of the remaining consideration in the first 5 years shall be payable.

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	\$ 446,046
Cash held in escrow for 6 months	209,588
Issued shares (80,654 shares issued at \$2.00/share)	161,307
Issued shares held in escrow (322,614 shares issued at \$2.00/share) - discounted	566,707
Fair value of contingent consideration	377,020
	\$ 1,760,668
Purchase price allocation	
Cash	\$ 48,944
Accounts receivable	317,475
Prepays	12,257
Accounts payable and accrued liabilities	(376,168)
Deferred revenue	(536,802)
Due to related party	(955,648)
Acquired technology	240,000
Customer relationships	510,000
Brand	160,000
Goodwill	2,340,610
	\$ 1,760,668

During the three months ended March 31, 2020, the Company incurred \$39,920 (2019 - \$53,362) in acquisition, restructuring and integration costs with this acquisition. 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 months ended March 31, 2020 of \$744,678 (2019 - \$37,983) and net income of \$392,858 (2019 - \$31,822), which is included in the Company's results for three months ended March 31, 2020 and 2019.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(in Canadian Dollars)

4. Business acquisitions (continued)

b) Acquisition of Oculys Health Informatics Inc.

On November 21, 2019, pursuant to an acquisition agreement, the Company acquired all of the issued and outstanding securities of Oculys Health Informatics Inc. ("Oculys"). Oculys provides a real-time and predictive operational management system for hospitals.

In addition, the Company has a contingent consideration payable over a three-year period after the closing and is contingent upon meeting certain revenue targets.

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 Oculys acquisition has been completed using provisional amounts within these consolidated financial statements.

Consideration

Cash consideration on closing	\$ 1,872,070
Cash held in escrow for 12 months	330,000
Issued shares (305,556 shares issued at \$1.75/share)	534,722
Issued shares held in escrow (916,666 shares issued at \$1.75/share) - discounted	1,395,824
Fair value of contingent consideration	15,676
	\$ 4,148,292

Purchase price allocation

Cash	\$ 22,618
Accounts receivable	206,069
Prepays	24,885
Property and equipment	8,446
Accounts payable and accrued liabilities	(251,672)
Deferred revenue	(1,040,077)
Loans payable	(32,420)
Acquired technology	330,000
Customer relationships	1,880,000
Brand	200,000
Goodwill	2,800,443
	\$ 4,148,292

During the three months ended March 31, 2020, the Company incurred \$208,988 (2019 - \$nil) in acquisition, restructuring and integration costs with this acquisition. These costs are included and separately disclosed in the interim condensed consolidated statements of operations and comprehensive loss.

The acquisition of Oculys resulted in revenue for the three months ended March 31, 2020 of \$462,733 (2019 - \$nil) and a net loss of \$102,808 (2019 - \$nil), which is included in the Company's results for three months ended March 31, 2019 and 2020.

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 March 31, 2020 and December 31, 2019, no amounts have been drawn on this revolving demand facility.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(in Canadian Dollars)

6. Accounts receivable

	March 31, 2020	December 31, 2019
	\$	\$
Trade accounts receivable	4,146,718	1,681,802
Other receivables	94,690	279,424
	4,241,408	1,961,226
Expected credit loss provision	(187,631)	(187,631)
Net carrying value	4,053,777	1,773,595

7. Property and equipment

	Computer	Furniture & fixtures	Leasehold improvements	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2018	136,317	216,994	60,968	414,279
Acquisitions (Note 4)	6,781	995	670	8,446
Additions	65,928	10,224	2,704	78,856
Disposals	(18,879)	(47,343)	-	(66,222)
Balance, December 31, 2019	190,147	180,870	64,342	435,359
Additions	14,968	960	-	15,928
Balance, March 31, 2020	205,115	181,830	64,342	451,287
Accumulated depreciation				
Balance, December 31, 2018	64,274	23,052	5,457	92,783
Depreciation expense	26,243	40,107	10,934	77,284
Disposals	(18,880)	(45,602)	-	(64,482)
Balance, December 31, 2019	71,637	17,557	16,391	105,585
Depreciation expense	11,945	11,149	3,595	26,689
Balance, March 31, 2020	83,582	28,706	19,986	132,274
Net book value as at:				
December 31, 2019	118,510	163,313	47,951	329,774
March 31, 2020	121,533	153,124	44,356	319,014

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(in Canadian Dollars)

8. Intangible assets

	Acquired technologies	Customer relationships	Brands	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2018	1,013,000	6,247,000	-	7,260,000
Acquisitions (Note 4)	570,000	2,390,000	360,000	3,320,000
Balance, December 31, 2019	1,583,000	8,637,000	360,000	10,580,000
Balance, March 31, 2020	1,583,000	8,637,000	360,000	10,580,000
Accumulated amortization				
Balance, December 31, 2018	153,560	1,209,638	-	1,363,198
Depreciation expense	192,965	1,295,236	29,000	1,517,201
Balance, December 31, 2019	346,525	2,504,874	29,000	2,880,399
Depreciation expense	65,678	359,559	18,000	443,237
Balance, March 31, 2020	412,203	2,864,433	47,000	3,323,636
Net book value as at:				
December 31, 2019	1,236,475	6,132,126	331,000	7,699,601
March 31, 2020	1,170,797	5,772,567	313,000	7,256,364

9. Goodwill

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

	March 31, 2020	December 31, 2019
	\$	\$
B Sharp Technologies Inc.	1,623,479	1,623,479
H.I. Next Inc. and LLC	3,883,882	3,883,882
ClarityHealthCare Solutions	163,480	163,480
Roxy Solutions Inc.	457,913	457,913
The Oak Group (UK) Limited.	2,340,610	2,340,610
Oculus Health Informatics Inc.	2,800,443	2,800,443
	11,269,807	11,269,807

10. Accounts payable and accrued liabilities

	March 31, 2020	December 31, 2019
	\$	\$
Trade accounts payable and accrued liabilities	1,263,430	1,199,321
Accrued payroll and related compensation	1,074,550	843,825
Government remittances	265,732	119,442
Royalties payable	152,781	102,321
	2,756,493	2,264,909

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(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. 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 March 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 March 31, 2019, with such amount being payable within ninety (90) days following March 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 March 31, 2021, with such amount being payable within ninety (90) days following March 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 period January 1, 2020 – March 31, 2020, the Company earned \$nil of net revenues (January 1, 2019 – December 31, 2019 - \$192,950) pursuant to the BC agreement, accordingly the Company has accrued \$75,766 of royalties in accounts payable and accrued liabilities as at March 31, 2020.

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, 10% of license and maintenance revenue earned by the solution will be paid to the customer up to the point where the customer has received a total of \$1,000,000, after which revenue sharing will continue at 2% of ongoing revenues to the customer indefinitely.

As at March 31, 2020, the Company has earned \$86,210 (December 31, 2019 - \$67,802) of revenues, paid out \$6,780 (December 31, 2019 - \$6,780) and accrued \$1,841 (December 31, 2019 - \$nil) of royalties.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(in Canadian Dollars)

13. Loans payable

	Note	March 31, 2020	December 31, 2019
		\$	\$
Business Development Bank of Canada loan	(a)	97,200	106,920
RBC sale and leaseback loan	(b)	132,711	151,546
RBC non-revolving term facility	(c)	1,260,000	1,330,000
Catalyst loan	(d)	5,911	6,659
Vault loan	(e)	-	19,189
		1,495,822	1,614,314
Current portion of loans payable		400,204	418,155
Long-term portion of loans payable		1,095,618	1,196,159
		1,495,822	1,614,314

Future principal repayments are as follows:

2020	400,204	418,155
2021	376,178	396,999
2022	299,440	309,160
2023	280,000	280,000
2024 and thereafter	140,000	210,000
	1,495,822	1,614,314

- a) 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 months ended March 31, 2020, the Company paid \$9,720 (2019 - \$6,780) in principal and \$11,925 (2019 - \$3,181) of interest expense.
- b) 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 months ended March 31, 2020, the Company paid \$18,835 (2019 - \$24,759) in principal and \$2,089 (2019 - \$3,139) in interest expense.
- c) 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. During the year ended March 31, 2019, the Company drew down \$1,400,000 from the term facility and paid \$70,000 (2019 - \$nil) in principal and \$18,472 (2018 - \$nil) in 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").
- d) The Catalyst loan is repayable in monthly installments of principal and interest of \$314, commencing January 1, 2019, with a maturity of December 1, 2021. The loan bears interest at 12.065%. During the three months ended March 31, 2020, the Company paid \$748 (2019 - \$nil) in principal and \$193 (2019 - \$nil) in interest.
- e) The Vault loan is repayable in monthly installments of principal and interest of \$6,720, commencing April 4, 2019, with a maturity of March 4, 2020. The loan bears interest at 30.10%. During the three months ended March 31, 2020, the Company paid \$19,189 (2019 - \$nil) in principal and \$971 (2019 - \$nil) in interest.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(in Canadian Dollars)

14. 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) *Non-brokered private placement*

On January 18, 2019, the Company completed a non-brokered private placement financing under which 2,062,500 units were issued at \$1.60 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 \$2.90, 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 \$3.90, 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 \$2,391,931 (73%) allocated to share capital and \$893,164 (27%) allocated to warrants.

The fair value of the warrants issued were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019
Share price	\$ 1.75
Exercise price	\$2.90 - \$3.90
Expected volatility	88% - 91%
Expected option life	2-3 years
Expected dividend yield	-
Expected forfeiture rate	-
Risk-free interest rate	1.29% - 1.57%

ii) *Shares issued from financing*

On March 17, 2020, the Company completed a bought deal offering under which 8,506,300 common shares were issued at \$1.80 per common shares for total gross proceeds of \$15,311,340. The Company paid agents fees and cash commissions of \$839,363 and issued 228,750 broker warrants valued at \$72,280 Each broker warrant expires on March 17, 2022 and entitles the holder to purchase one common share at a price of \$2.10 per share.

The Company incurred additional costs of \$322,186 relating to professional and advisory services resulting in net proceeds of the bought deal of \$14,149,791.

Vitalhub Corp.

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For the three months ended March 31, 2020 and 2019

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14. Share capital (continued)

ii) Shares issued from financing (continued)

The fair value of the warrants issued were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020
Share price	\$ 1.40
Exercise price	\$ 2.10
Expected volatility	63.00%
Expected option life	2 years
Expected dividend yield	-
Expected forfeiture rate	-
Risk-free interest rate	0.63%

c) Share based compensation and share based payment reserve

A summary of changes in share-based compensation during the three months ended March 31, 2020 and for the year ended December 31, 2019 is as follows:

Measurement date	Number of options	Weighted average exercise price
	#	\$
Balance, December 31, 2018	1,216,941	1.42
Granted	70,000	1.80
Exercised	(3,000)	1.20
Expired	(29,778)	1.49
Forfeited	(889)	1.20
Balance, December 31, 2019	1,253,274	1.42
Exercised	(25,000)	1.00
Balance, March 31, 2020	1,228,274	1.46

Vitalhub Corp.

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14. 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 March 31, 2020 and December 31, 2019:

Exercise price	March 31, 2020			December 31, 2019		
	Number of stock options outstanding	Number of stock options exercisable	Weighted average remaining contractual life	Number of stock options outstanding	Number of stock options exercisable	Weighted average remaining contractual life
\$1.000	160,774	160,774	0.75	185,774	185,774	0.93
\$1.200	116,500	116,500	1.78	116,500	116,500	2.03
\$1.250	132,500	132,500	1.60	132,500	132,500	1.85
\$1.300	150,000	150,000	2.55	150,000	150,000	2.76
\$1.450	20,000	12,227	3.74	20,000	6,667	3.99
\$1.500	225,000	133,630	3.08	225,000	118,750	3.33
\$1.650	201,000	173,272	2.66	201,000	162,805	2.91
\$1.800	125,000	29,037	3.78	125,000	24,445	4.03
\$1.950	97,500	73,170	2.76	97,500	64,999	3.01
	1,228,274	981,110	2.41	1,253,274	962,440	2.62

During the three months ended March 31, 2020, the Company recognized stock-based compensation expense of \$46,071 (2019 - \$35,872).

d) Warrants

A summary of changes in warrants during the three months ended March 31, 2020 and for the year ended December 31, 2019 is as follows:

Measurement date	Number of warrants	Weighted average exercise price
	#	\$
Balance, December 31, 2018	4,311,130	1.80
Granted	2,062,500	3.40
Exercised	(899,424)	1.80
Expired	(3,411,706)	1.80
Balance, December 31, 2019	2,062,500	3.40
Granted	228,750	2.10
Balance, March 31, 2020	2,291,250	3.27

Vitalhub Corp.

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For the three months ended March 31, 2020 and 2019

(in Canadian Dollars)

14. Share capital (continued)

d) Warrants (continued)

The following table summarizes information about the Company's warrants outstanding at March 31, 2020 and December 31, 2019:

March 31, 2020				December 31, 2019		
Exercise price	Number of warrants outstanding	Number of warrants exercisable	Weighted average remaining contractual life	Number of warrants outstanding	Number of warrants exercisable	Weighted average remaining contractual life
\$2.100	228,750	228,750	1.96	-	-	-
\$2.900	1,031,250	1,031,250	0.80	1,031,250	1,031,250	1.05
\$3.900	1,031,250	1,031,250	1.80	1,031,250	1,031,250	2.05
	2,291,250	2,291,250	1.37	2,062,500	2,062,500	1.55

15. Leases

The Company adopted IFRS 16 effective January 1, 2019 at the start of its new fiscal year and on initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. When measuring lease liabilities, the Company discounted lease payments using an incremental borrowing rate of 9% for all leases except for leases located in Sri Lanka where a 12% incremental borrowing rate was used. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The following table reconciles the Company's operating lease obligations to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019:

Right of use asset	Premise lease
Cost	\$
Balance, January 1, 2019	-
Aggregate lease commitments	1,470,905
Less: Impact of present value	(463,585)
Opening IFRS 16 lease value as at January 1, 2019	1,007,320
Additions	48,889
Lease: Lease receivable related to finance sublease	(86,525)
Balance, December 31, 2019	969,684
Balance, March 31, 2020	969,684
Accumulated amortization	
Balance, December 31, 2019	178,265
Amortization	53,461
Balance, March 31, 2020	231,726
Net book value as at:	
December 31, 2019	\$ 791,419
March 31, 2020	737,958

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15. Leases (continued)

Lease liabilities	Premise lease
	\$
Balance, January 1, 2019	1,007,320
Additions	48,889
Financing costs	90,664
Payments	(284,449)
Total lease liabilities at December 31, 2019	862,424
Financing costs	20,880
Payments	(64,139)
Total lease liabilities at March 31, 2020	819,165
Current portion of lease liabilities	207,055
Long-term portion of lease liabilities at March 31, 2020	612,110
Total lease liabilities at March 31, 2020	819,165

16. Expenses by nature

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
	\$	\$
Salaries, wages and benefits	1,587,895	1,148,045
Depreciation and amortization	523,387	405,669
Acquisition related expenses	248,908	53,362
Hosting and software licenses	192,861	97,345
Consulting	131,593	112,485
Travel	116,628	50,570
Professional fees	107,693	99,317
Computer expenses	98,167	71,511
Royalties	85,882	8,954
Facilities	63,133	54,914
Other	59,056	112,783
Stock based compensation	46,071	35,872
Interest and accretion expense	45,117	125,576
Investor relations	44,800	31,621
	3,351,192	2,408,024

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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17. 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 March 31, 2020	Three months ended March 31, 2019
	\$	\$
Salaries and short-term employee benefits	162,517	162,517
Stock-based compensation	17,562	16,699
	180,079	179,216

18. Segmented information

The Company has identified one operating segment for its operations, the revenue 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 four major geographic regions: Canada, the United States of America ("USA"), the United Kingdom ("UK"), 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 months ended March 31, 2020 and 2019 are as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
Canada	1,691,077	1,891,957
USA	405,023	515,346
United Kingdom	183,863	37,007
Western Asia	490,037	-
Total revenues	2,770,000	2,444,310

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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18. Segmented information (continued)

The total non-current assets in each of these geographic locations for the years ended March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
	\$	\$
Canada	19,582,146	20,094,824
USA	996	1,002
Total non-current assets	19,583,142	20,095,826

19. COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in the World Health Organization declaring this virus a global pandemic in March 2020. Governments around the world have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing and closure of businesses have caused material disruption to businesses resulting in an economic slowdown. Governments and central banks have responded with significant monetary and fiscal interventions designed to stabilize the financial markets. A critical estimate for the Company is to assess the impact of the pandemic on the recoverability of long-lived assets, accounts receivable, goodwill, intangible assets as well as the availability of future financing in assessing the going concern assumption. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.