

Vitalhub Corp.

Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

Vitalhub Corp.

For the three months ended March 31, 2023 and 2022

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

(Unaudited)

(In Canadian dollars)

	March 31, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash	17,167,716	17,452,210
Accounts receivable, net of expected credit loss (Note 5)	13,123,380	11,411,441
Inventory	580,014	704,407
Prepaid expenses	1,321,134	998,514
	32,192,244	30,566,572
Non-current assets		
Property and equipment (Note 6)	691,106	663,469
Intangible assets (Note 7)	31,958,050	30,845,739
Right-of-use assets (Note 12)	741,385	766,467
Goodwill (Note 8)	44,790,443	43,344,497
	110,373,228	106,186,744
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	6,788,028	6,022,394
Contingent consideration (Note 11)	3,257,541	2,801,376
Income taxes payable	100,405	41,705
Lease liabilities (Note 12)	421,025	372,457
Deferred revenue	16,023,552	14,579,698
	26,590,551	23,817,630
Long term liabilities		
Lease liabilities (Note 12)	436,141	509,738
Deferred revenue	648,351	915,763
Deferred tax liability	6,515,548	5,545,170
	34,190,591	30,788,301
Shareholders' equity		
Share capital (Note 13)	79,792,547	79,729,340
Share-based payment reserve (Note 13 (c))	4,132,145	3,854,461
Deferred share units payment reserve	253,500	253,500
Warrant reserve (Note 13 (d))	445,681	445,681
Accumulated other comprehensive loss	(163,474)	(444,609)
Deficit	(8,277,762)	(8,439,930)
	76,182,637	75,398,443
	110,373,228	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****For the three months ended March 31, 2023 and 2022**

(Unaudited)

(In Canadian dollars)

	Three months ended March 31, 2023	Three months ended March 31, 2022
	\$	\$
Revenue		
Term licences, maintenance, and support	9,997,484	5,732,891
Perpetual licences	310,398	2,767,523
Services	1,838,549	657,624
Hardware	441,280	257,189
Other	7,463	7,964
Total revenue	12,595,174	9,423,191
Cost of sales	2,471,877	1,474,579
Gross profit	10,123,297	7,948,612
Expenses		
General and administrative	3,611,092	1,845,516
Sales and marketing	1,281,665	1,048,389
Research and development	2,520,021	2,024,367
Depreciation of property and equipment (Note 6)	75,283	43,317
Depreciation of right-of-use assets (Note 12)	95,907	63,389
Share-based compensation (Note 13 (c))	277,684	269,244
Foreign currency gain	(213,261)	(20,675)
	7,648,391	5,273,547
Income before amortization of intangible assets, business acquisition, restructuring and integration costs, interest expense and accretion (net of interest income), interest expense on lease liabilities, and income taxes	2,474,906	2,675,065
Amortization of intangible assets (Note 7)	1,054,247	683,928
Business acquisition, restructuring and integration costs (Note 4)	658,349	414,727
Interest expense and accretion (net of interest income)	(38,987)	(4,720)
Interest expense from lease liabilities (Note 12)	20,869	17,618
	1,694,478	1,111,553
Income before income taxes (loss)	780,428	1,563,512
Provision for income taxes		
Current	186,926	125,933
Deferred	431,334	(32)
	618,260	125,901
Net income	162,168	1,437,611
Other comprehensive income (loss)		
Foreign currency translation gain (loss)	281,135	(1,309,459)
Comprehensive income	443,303	128,152
Income per share		
Basic	0.01	0.04
Diluted	0.01	0.04
Weighted average number of shares outstanding		
Basic	43,617,864	37,120,147
Diluted	44,685,367	39,268,851

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 three months ended March 31, 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
Acquisition of Beautiful Information Limited (Note 4 (a))	90,266	258,214	-	-	-	-	-	258,214
Stock options exercised (Note 13 (c))	154,500	204,350	(8,950)	-	-	-	-	195,400
Share-based compensation (Note 13 (c))	-	-	269,244	-	-	-	-	269,244
Warrants exercised (Note 13 (d))	45,750	115,630	-	-	(19,553)	-	-	96,077
Net income and comprehensive loss for the period	-	-	-	-	-	(1,309,459)	1,437,611	128,152
Balance, March 31, 2022	37,229,944	61,721,131	3,016,280	253,500	445,682	(1,447,806)	(8,216,955)	55,771,832
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))	(12,900)	(39,070)	-	-	-	-	-	(39,070)
Acquisition of Coyote Software Corporation (Note 4 (e))	38,163	102,277	-	-	-	-	-	102,277
Share-based compensation (Note 13 (c))	-	-	277,684	-	-	-	-	277,684
Net income and comprehensive income for the period	-	-	-	-	-	281,135	162,168	443,303
Balance, March 31, 2023	43,624,911	79,792,547	4,132,145	253,500	445,681	(163,474)	(8,277,762)	76,182,637

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 three months ended March 31, 2023 and 2022**

(Unaudited)

(In Canadian dollars)

	Three months ended March 31, 2023	Three months ended March 31, 2022
	\$	\$
Operating activities		
Net income	162,168	1,437,611
Adjustments for:		
Depreciation of property and equipment (Note 6)	75,283	43,317
Depreciation of right-of-use assets (Note 12)	95,907	63,389
Amortization of intangible assets (Note 7)	1,054,247	683,928
Unrealized foreign exchange gain	(213,261)	(20,675)
Change in fair value and accretion of contingent consideration (Note 11)	3,888	3,888
Interest expense from lease liabilities (Note 12)	20,869	17,618
Share-based compensation (Note 13 (c))	277,684	269,244
Changes in working capital		
Accounts receivable, net of expected credit loss	(1,433,911)	(4,957,350)
Inventory	124,393	(19,987)
Prepaid expenses	(308,864)	(203,850)
Accounts payable and accrued liabilities	649,594	1,483,786
Deferred revenue	873,067	5,174,840
Income taxes payable	69,275	141,964
Deferred tax liability	497,003	(51,174)
	1,947,342	4,066,549
Investing activities		
Purchase of property and equipment (Note 6)	(72,843)	(25,477)
Purchase of intangible assets (Note 7)	(28,781)	-
Acquisition of Beautiful Information Limited (net of cash acquired) (Note 4 (a))	-	(2,302,436)
Acquisition of Coyote Software Corporation (net of cash acquired) (Note 4 (e))	(1,835,129)	-
Payments of contingent consideration (Note 11)	(29,467)	(347,728)
	(1,966,220)	(2,675,641)
Financing activities		
Proceeds from Scotiabank loan	-	2,722,632
Principal payments on loans payable	-	(12,460)
Principal payments on lease liabilities (Note 12)	(81,794)	(60,669)
Repurchase of common shares (Note 13 (b))	(39,070)	-
Proceeds from exercise of options (Note 13 (c))	-	192,400
Proceeds from exercise of warrants (Note 13 (d))	-	96,077
	(120,864)	2,937,980
Effect of foreign exchange rate changes on cash	(144,752)	33,020
(Decrease) increase in cash	(284,494)	4,361,908
Cash, beginning of the period	17,452,210	16,389,982
Cash, end of the period	17,167,716	20,751,890

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 months ended March 31, 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 May 11, 2023.

COVID-19 and economic uncertainty

While the impact of COVID-19 on the Company has largely subsided, management continues to closely monitor all COVID-19 developments including its impact on the Company's customers, employees, suppliers, vendors, business partners, and distribution channels. In addition to COVID-19, the global economy, including the financial and credit markets, has recently experienced extreme volatility and disruptions, including increases to inflation rates, rising interest rates, foreign currency impacts, declines in consumer confidence, and declines in economic growth. All these factors point to uncertainty about economic stability, and the severity and duration of these conditions on the Company's operation cannot be predicted. Despite these uncertainties, the Company believes it is well equipped to handle the uncertainty and has taken several proactive steps in an attempt to better manage the challenges of the COVID-19 pandemic including potential future impact on the Company's assets, cash flows and liquidity, operations and financial reporting.

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.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited)

(In Canadian dollars)

4. Business acquisitions (continued)

a) Acquisition of Beautiful Information Limited (continued)

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

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

For the three months ended March 31, 2023, the Company incurred \$2,638 in acquisition, restructuring and integration costs with this acquisition (three months ended March 31, 2022 - \$133,650). These costs are included and separately disclosed in the unaudited interim condensed consolidated statements of operations and comprehensive income.

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

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited)

(In Canadian dollars)

4. Business acquisitions (continued)

b) Acquisition of Hicom Technology Limited (continued)

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.

For the three months ended March 31, 2023, the Company incurred \$345,288 in acquisition, restructuring and integration costs with this acquisition (three months ended March 31, 2022 - \$nil). These costs are included and separately disclosed in the unaudited interim condensed consolidated statements of operations and comprehensive income.

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

For the three months ended March 31, 2023, the Company incurred \$23,293 in acquisition, restructuring and integration costs with this acquisition (three months ended March 31, 2022 - \$nil). These costs are included and separately disclosed in the unaudited interim condensed consolidated statements of operations and comprehensive income.

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited)

(In Canadian dollars)

4. Business acquisitions (continued)

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

For the three months ended March 31, 2023, the Company incurred \$12,272 in acquisition, restructuring and integration costs with this acquisition (three months ended March 31, 2022 - \$nil). These costs are included and separately disclosed in the unaudited interim condensed consolidated statements of operations and comprehensive income.

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 months ended March 31, 2023 and 2022

(Unaudited)

(In Canadian dollars)

4. Business acquisitions (continued)

e) Acquisition of Coyote Corporation Software (continued)

From the date of acquisition to March 31, 2023, the Company incurred \$223,531 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.

5. Accounts receivable

	March 31, 2023	December 31, 2022
	\$	\$
Trade accounts receivable	12,546,125	10,124,822
Other receivables	929,191	1,649,854
	13,475,316	11,774,676
Expected credit loss provision	(351,936)	(363,235)
Net carrying value	13,123,380	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	72,843	-	-	72,843
Disposals	-	-	(8,939)	(8,939)
Effect of movements in exchange rates	31,167	11,091	7,319	49,577
Balance, March 31, 2023	886,350	297,589	133,029	1,316,968
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	54,881	15,777	4,625	75,283
Disposals	-	-	(8,939)	(8,939)
Effect of movements in exchange rates	15,056	8,697	1,069	24,822
Balance, March 31, 2023	364,701	196,083	65,078	625,862
Net book value as at:				
December 31, 2022	485,088	112,055	66,326	663,469
March 31, 2023	521,649	101,506	67,951	691,106

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 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	61,000.00	-	-	1,781,000
Additions	-	-	-	28,781	-	28,781
Effect of movements in exchange rates	91,665	328,206	21,393	30,880	-	472,144
Balance, March 31, 2023	7,235,084	34,024,456	1,949,185	164,898	1,546	43,375,169
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	279,860	711,884	54,758	7,708	37	1,054,247
Effect of movements in exchange rates	25,268	55,655	4,360	30,084	-	115,367
Balance, March 31, 2023	2,635,439	8,170,077	512,484	98,937	182	11,417,119
Net book value as at:						
December 31, 2022	4,583,108	24,803,712	1,413,426	44,092	1,401	30,845,739
March 31, 2023	4,599,645	25,854,379	1,436,701	65,961	1,364	31,958,050

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	278,431
Balance, March 31, 2023	44,790,443

9. Accounts payable and accrued liabilities

	March 31, 2023	December 31, 2022
	\$	\$
Trade accounts payable and accrued liabilities	2,293,985	2,120,541
Accrued payroll and related compensation	2,561,506	2,261,528
Government remittances	1,820,775	1,425,268
Royalties payable	111,762	215,057
	6,788,028	6,022,394

Vitalhub Corp.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(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 March 31, 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	(29,467)
Accretion	3,888
Effect of movements in exchange rates	55,744
Balance, March 31, 2023	3,257,541

12. Lease liabilities

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

Right of use asset	Premise lease
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
Disposal	(25,348)
Effect of movements in exchange rates	28,644
Balance, March 31, 2023	1,652,828

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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	95,907
Disposals	25,348
Effect of movements in exchange rates	(36,694)
Balance, March 31, 2023	911,443
Net book value as at:	
December 31, 2022	766,467
March 31, 2023	741,385
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	20,869
Payments	(81,794)
Effect of movements in exchange rates	(20,287)
Balance, March 31, 2023	857,166
Current portion of lease liabilities	421,025
Long-term portion of lease liabilities	436,141
Balance, March 31, 2023	857,166

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

During the three months ended March 31, 2023, the Company repurchased 12,900 of its common shares for \$39,070, under a share repurchase program.

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.

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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 three months ended March 31, 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	320,000	2.66
Balance, March 31, 2023	2,770,206	2.45

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

Exercise price	March 31, 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	0.74	20,000	20,000	0.99
\$1.50	205,000	205,000	4.97	205,000	205,000	5.21
\$1.65	90,000	90,000	4.66	90,000	90,000	4.91
\$1.80	125,000	125,000	0.78	125,000	125,000	1.02
\$2.03	532,503	458,609	2.39	532,503	414,224	2.63
\$2.33	95,000	-	4.63	95,000	-	4.87
\$2.66	875,000	431,672	3.51	555,000	385,421	2.91
\$2.67	80,000	-	4.38	80,000	-	4.62
\$2.77	150,000	-	4.12	150,000	-	4.36
\$2.85	50,000	50,000	3.50	50,000	50,000	3.75
\$2.90	157,703	70,092	3.64	157,703	56,949	3.88
\$2.98	40,000	-	4.07	40,000	-	4.32
\$3.05	70,000	25,277	3.85	70,000	-	4.10
\$3.07	85,000	28,333	4.00	85,000	-	4.25
\$3.15	195,000	113,745	3.25	195,000	97,497	3.50
	2,770,206	1,617,728	3.41	2,450,206	1,444,091	3.45

During the three months ended March 31, 2023, 320,000 share options were issued (for the year ended December 31, 2022 - 520,000) with a weighted average aggregate value of \$467,892 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	\$3.02 - \$3.07
Exercise price	\$ 2.66	\$3.02 - \$3.07
Expected volatility	61.07%	77% - 78%
Expected option life	5 years	5 years
Expected dividend yield	-	-
Expected forfeiture rate	-	-
Risk-free interest rate	3.66%	1.23% - 1.73%

During the three months ended March 31, 2023, the Company recognized stock-based compensation expense of \$277,684 (three months ended March 31, 2022 - \$269,244).

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For the three months ended March 31, 2023 and 2022

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13. Share capital (continued)

d) Warrants

A summary of changes in warrants for the three months ended March 31, 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, March 31, 2023	-	-

14. Expenses by nature

	Three months ended March 31, 2023	Three months ended March 31, 2022
	\$	\$
Business acquisition, restructuring and integration costs	658,349	414,727
Computer expenses	483,202	253,131
Consulting	509,773	643,282
Depreciation and amortization	1,225,437	790,634
Facilities	123,984	66,074
Foreign currency gain	(213,261)	(20,675)
Hardware	223,845	106,143
Hosting and software licenses	481,004	298,278
Insurance	72,408	30,477
Interest and accretion	(18,118)	12,898
Investor relations	15,750	50,800
Marketing	81,173	62,789
Office and telephone	69,178	42,452
Other	77,515	50,542
Professional fees	245,018	155,595
Recruiting	4,733	10,683
Royalties	70,434	67,765
Salaries, wages and benefits	7,114,777	4,253,132
Share-based compensation	277,684	269,244
Transfer agent filing fees	43,867	230,770
Travel	267,994	70,938
	11,814,746	7,859,679

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(Unaudited)

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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 March 31, 2023	Three months ended March 31, 2022
	\$	\$
Salaries and short-term employee benefits	182,124	183,892
Share-based compensation	14,267	39,350
	196,391	223,242

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 months ended March 31, 2023 and 2022 are as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	\$	\$
Canada	2,622,276	1,748,294
USA	256,944	263,686
United Kingdom	8,399,439	7,139,205
Australia	957,911	67,478
Western Asia	273,732	158,331
Rest of the world	84,872	46,197
Total revenues	12,595,174	9,423,191

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

	March 31, 2023	December 31, 2022
	\$	\$
Canada	19,925,800	17,195,741
United Kingdom	49,664,376	50,363,314
USA	906	937
Sri Lanka	408,281	406,212
Australia	8,181,621	7,653,968
Total non-current assets	78,180,984	75,620,172