Management's Discussion & Analysis

For the years ended December 31, 2023 and 2022

Vitalhub Corp.
480 University Avenue, Suite 1001, Toronto, ON M5G 1V2

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budgets”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or “recurring”, or variations of such words and phrases or state certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including but not limited to: the ability of the issuer to obtain financing if required; the economy generally; consumer interest in the services and products of the Company; competition; and anticipated and unanticipated costs. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements except as may be required by applicable securities legislation. These forward looking statements should not be relied upon as representing the Company’s views as of any date subsequent to the date of this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

GENERAL INFORMATION

The following Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") prepared as of March 21, 2024 supplements, but does not form part of the of the consolidated financial statements and notes of Vitalhub Corp. ("Vitalhub", or the "Company") for the year ended December 31, 2023 and 2022.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as set out in the Chartered Professional Accountants Canada Handbook ("CPA Canada Handbook"). All financial information contained in this MD&A and in the consolidated financial statements have been prepared in accordance with IFRS except for certain "Non-IFRS Measures" as indicated in this MD&A.

All currency amounts in this MD&A are expressed in Canadian dollars, unless specified otherwise.

COMPANY PROFILE

Based in Toronto, Ontario, Vitalhub Corp. and its subsidiaries 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, Operational Visibility and Mobile Apps.

The Company's shares trade on the TSX under the symbol "VHI" and on the OTC Markets OTCQX Exchange under the symbol "VHIBF".

Products and services

Vitalhub's healthcare information technology solutions include mobile, patient flow, web-based assessment and electronic healthcare record solutions. Mental Health solutions support the distinct requirements of mental health and addictions service providers across inpatient, outpatient, and community settings. By charting the client's story during their journey of treatment, Vitalhub provides a longitudinal record of client information and supports seamless continuity of care.

Two-pronged growth strategy

The Company has a two-pronged approach to growth, targeting organic growth opportunities within its product suite, and pursuing an aggressive merger and acquisition ("M&A") strategy. By combining like software companies focused on Healthcare IT, growth and profitability will increase. Research and development spend will be reduced by moving development into the Vitalhub Innovation Lab located in Sri Lanka. This offshore development team is a wholly-owned subsidiary of the Company, critical to the strategy of providing cost and development technology synergies. General and Administrative functions will be consolidated, resulting in cost savings. Vitalhub will cross-sell its products into the installed customer bases of the merged companies and will optimize sales and marketing processes across the organization, which will also drive sales growth. Since 2017, the Company has completed the following acquisitions:

1. B Sharp Technologies (B Care EHR), for patient information sharing, team and care coordination and communication;
2. HI Next (TREAT EHR), a participant management system that captures demographic and clinical data in standard modules; progress notes, assessments and interdisciplinary care plans;
3. Clarity EHR, an Ontario Mental Health-based web-based assessments company;
4. Roxy Software Inc.'s flagship product, Pirouette is a Software-as-a-Service ("SaaS") based software solution that allows community health agencies to manage their client activities;
5. MCAP from Oakgroup UK Limited. MCAP is a SaaS-based software solution that allows community health agencies to manage their client activities;
6. Oculys provides a real-time and predictive operational management system for hospitals, focusing on the efficiency and effectiveness of patient care;
7. Intouch with Health Ltd, a UK Patient Flow management solutions company;
8. Transforming Systems Ltd, a UK-based real-time access to information company operating in the health and social services sector;
9. S12 Solutions Ltd, a UK-based company that helps mental health professionals efficiently complete Mental Health Act 1983 processes;
10. Jayex Healthcare Limited, a leading UK and Australian e-health provider of integrated SaaS healthcare services delivery platforms;
11. Alamac Limited, a UK-based company that provides technological and advisory solutions that assist healthcare organizations across the NHS;
12. Beautiful Information Limited, a UK-based company that offers unique real-time information to NHS trusts to help them plan and resource clinical services to meet hourly fluctuations in patient flow;

13. Hicom Technology Limited, a UK-based company that develops software that automates healthcare and business processes;

14. Community Data Solutions, an Australian-based company, offering an online case management system and supporting products;

15. Advanced Digital Innovation (UK) Limited, with the product widely known as MyPathway. A digital health platform which is used to improve patient interactions during treatment; and

16. Coyote Software Corporation, a Canadian-based company that specializes in tailored software solutions that streamline the workflows of health and social service organizations.

Customers

Vitalhub serves more then 1,000 customers across Canada, USA, UK, Australia, the Middle East and Europe. The Company's offerings serve a large addressable market for Digital Health Solutions. The focus has been on the publicly funded acute hospital, mental health, community and social services sectors. VitalHub is a provider of Patient Flow, Operational Visibility, Patient Journey Optimization and Patient Engagement Solutions in the United Kingdom and Australia and in the Community and Social Services sector in Canada and Australia with its EHR, Case Management and Care Coordination solutions. VitalHub is growing in markets across Europe, the Caribbean, the Middle East, and Australia and cross-selling its new portfolio products into the markets where it has a strong presence.

Sales Strategy

The Company sells and markets its solutions in specific geographies through a team of sales leaders and sales development representatives. Marketing is multipronged and maintained via a variety of channels including the Company's partner network, across social media, an active online presence, the Company's participation in events and trade shows, by hosting webinars, and via customer referrals all of which support the sales team and help to drive organic growth.

There is a significant opportunity for growth in the patient flow market, which the Company has entered via acquisitions. This represents an opportunity for international sales and distribution, with an existing customer base in five countries. The Company primarily focuses on government funded healthcare systems in Canada, the UK, Australia, Qatar, UAE and Latvia.

Fourth Quarter 2023 Highlights

- **Revenue of $13,603,419 as compared to $11,289,606 in the equivalent prior year period, an increase of $2,313,813 or 20%.**

  The positive increase reflects the impact of organic revenue growth in the Company's suite of products, coupled with revenue derived from the acquisition completed during the year.

- **Gross profit as a percentage of revenue was 83% compared to 82% in the equivalent prior year period (Q3 2023 - 82%).**

  Gross profit as a percentage of revenue is largely dependent upon the sales mix, with perpetual and term licenses, maintenance and support generating a higher margin than consulting services and hardware revenue. The increase in Q4 2023 was primarily due to higher term licences, maintenance and support revenue, with recurring revenue representing 83% of revenues in the quarter compared to 77% in Q4 2022.

- **ARR(1–2) at December 31, 2023 was $44,573,739 as compared to $42,612,166 at September 30, 2023.**

  ARR(1–2) movement is attributable to the following:

  - Organic growth of $1,959,986 or 5% (21.7% annualized)

- **EBITDA(2) of $2,992,273 compared to $470,220 in the equivalent prior year period, an increase of $2,522,053 or 536%.**

- **Adjusted EBITDA(2) of $3,985,553 or 29% of revenue, compared to $2,455,377 or 22% of revenue in the equivalent prior year period, an increase of $1,530,176 or 62%.**

  The increase in EBITDA and adjusted EBITDA from Q4 2022 to Q4 2023 was primarily attributable to the higher recurring revenues of $11,302,366 in Q4 2023, as compared to $8,736,265 in Q4 2022, coupled with an ongoing effort to manage costs and gain operating cost synergies.

  Due to the relatively high amortization of intangibles and periodic restructuring and integration costs from acquisitions, management believes that adjusted EBITDA as a percentage of revenue is a relevant KPI ("key performance indicator") to measure.

- **Net income before income taxes of $1,984,246 as compared to a net loss of $656,336 in the equivalent prior year period, an increase of $2,640,582 or 402%.**

  The increase was primarily attributable to the increase in revenues from organic growth and acquisitions, coupled with an ongoing effort to manage costs and gain operating cost synergies.

Annual 2023 Highlights

- **Revenue of $52,508,298 as compared to $39,970,814 in the equivalent prior year period, an increase of $12,537,484 or 31%.**

  The positive increase reflects the impact of organic revenue growth in the Company's suite of products, coupled with revenue derived from acquisitions completed during the year.

- **Gross profit as a percentage of revenue was 82% compared to 82% in the equivalent prior year period.**

  Gross profit as a percentage of revenue is largely dependent upon the sales mix, with perpetual and term licenses, maintenance and support generating a higher margin than consulting services and hardware revenue.

- **ARR(1–2) at December 31, 2023 was $44,573,739 as compared to $36,145,150 at December 31, 2022, an increase of $8,428,589 or 23%.**

  ARR(1–2) movement is attributable to the following:

  - Organic growth of $6,389,730 or 18%;
  - Growth from acquisitions of $1,100,000 or 3%;
  - Gain of $938,859 or 3% primarily due to the fluctuation in the GBP pound and US dollar rates relative to the CAD dollar.

  The continued increase in ARR growth is reflective of our strategy to grow the business both organically and through acquisition.

- **EBITDA(2) of $9,887,842 compared to $5,250,015 in the equivalent prior year period, an increase of $4,637,827 or 88%.**

- **Adjusted EBITDA(2) of $13,291,526 or 25% of revenue, compared to $9,524,708 or 24% of revenue in the equivalent prior year period, an increase of $3,766,818 or 40%.**

  The increase in EBITDA and adjusted EBITDA from Q4 2022 to Q4 2023 was primarily attributable to the higher recurring revenues of $42,332,253 for the year ended December 31, 2023, as compared to $29,359,361 in the equivalent prior year, coupled with an ongoing effort to manage costs and gain operating cost synergies.

  Due to the relatively high amortization of intangibles and periodic restructuring and integration costs from acquisitions, management believes that adjusted EBITDA as a percentage of revenue is a relevant KPI to measure.

- **Cash on hand at December 31, 2023 was $33,480,018 compared to $17,452,210 as at December 31, 2022.**

  The increase was primarily due to an increase in cash generated from operations, as management continues to gain synergies from acquisitions and continues to reduce costs of operations.

- **Cash from operations before changes in working capital was $11,180,747 as compared to $7,119,817 last year.**

- **Net income before income taxes of $5,327,733 as compared to $1,306,717 in the equivalent prior year period, an increase of $4,021,016 or 308%.**

  The change in net income was primarily attributable to higher revenues from term licenses, maintenance and support, services and hardware.

(1) The Company defines annual recurring revenue ("ARR") as the recurring revenue expected based on yearly subscriptions.
(2) Non-IFRS measure.

SELECTED FINANCIAL INFORMATION

	Three months ended					Year ended				
	December 31, 2023	% Revenue	December 31, 2022	% Revenue	Change	December 31, 2023	% Revenue	December 31, 2022	% Revenue	Change
	$		$		%	$		$		%
Revenue	13,603,419	100%	11,289,606	100%	20%	52,508,298	100%	39,970,814	100%	31%
Cost of sales	2,364,543	17%	1,999,560	18%	(18%)	9,697,998	18%	7,031,819	18%	(38%)
Gross profit	11,238,876	83%	9,290,046	82%	21%	42,810,300	82%	32,938,995	82%	30%
Operating expenses										
General and administrative	2,911,708	21%	2,390,847	21%	(22%)	11,765,148	22%	8,556,468	21%	(38%)
Sales and marketing	1,394,948	10%	1,126,839	10%	(24%)	5,883,267	11%	4,275,151	11%	(38%)
Research and development	3,188,172	23%	3,223,157	29%	1%	12,169,285	23%	10,431,212	26%	(17%)
Depreciation of property and equipment	76,496	1%	76,422	1%	(0%)	318,866	1%	250,287	1%	(27%)
Depreciation of right-of-use assets	101,115	1%	163,222	1%	38%	399,715	1%	342,863	1%	(17%)
Stock based compensation	220,494	2%	267,584	2%	18%	1,058,919	2%	1,140,387	3%	7%
Deferred share-based compensation	-	0%	-	0%	0%	97,560	0%	-	0%	(100%)
Foreign currency (gain) loss	(241,505)	(2%)	93,826	1%	357%	(296,824)	(1%)	150,399	0%	297%
Other income and expenses										
Amortization of intangible assets	1,067,885	8%	952,787	8%	(12%)	4,259,113	8%	3,279,803	8%	(30%)
Business acquisition, restructuring and integration costs	306,741	2%	1,022,171	9%	70%	1,534,835	3%	2,438,904	6%	37%
Loss on change in fair value of contingent consideration	466,045	3%	695,402	6%	33%	712,370	1%	695,402	2%	(2%)
Interest expense and accretion (net of interest income)	(252,294)	(2%)	10,288	0%	(2552%)	(489,566)	(1%)	40,914	0%	1297%
Interest expense from lease liabilities	14,825	0%	(76,163)	(1%)	119%	71,981	0%	29,431	0%	(145%)
(Gain) loss on disposal of property and equipment	0	0%	0	0%	0%	(2,102)	(0%)	1,057	0%	299%
Current and deferred income taxes	1,045,457	8%	(318,005)	(3%)	429%	778,248	1%	92,081	0%	(745%)
Net income	938,789	7%	(338,331)	(3%)	377%	4,549,485	9%	1,214,636	3%	275%
EBITDA (Non-IFRS measure)	2,992,273	22%	470,220	4%	536%	9,887,842	19%	5,250,015	13%	88%
Adjusted EBITDA (Non-IFRS measure)	3,985,553	29%	2,455,377	22%	62%	13,291,526	25%	9,524,708	24%	40%
Annual recurring revenue (Non-IFRS measure)	44,573,739		36,145,150		23%	44,573,739		36,145,150		23%
Term licences, maintenance and support revenue	11,302,366	83%	8,736,265	77%	29%	42,332,253	81%	29,359,361	73%	44%

	As at	
	December 31, 2023	December 31, 2022
	$	$
Deferred revenue	21,049,975	15,495,461
Cash balance	33,480,018	17,452,210

REVENUE

The Company generates revenue from the sale of perpetual and annual renewable software licenses, maintenance and support, professional services, and hardware. Certain agreements provide for the delivery of application software and continuing post contract services, such as maintenance and support for the application software sold.

Revenue Composition	Three months ended			Year ended		
	December 31, 2023	December 31, 2022	Change	December 31, 2023	December 31, 2022	Change
	$	$	%	$	$	%
Term licenses, maintenance and support	**11,302,366**	8,736,265	**29%**	**42,332,253**	29,359,361	44%
Perpetual licenses	**285,912**	497,543	**(43%)**	**909,226**	3,618,552	(75%)
Services, hardware and other	**2,015,141**	2,055,798	**(2%)**	**9,266,819**	6,992,901	33%
Total Revenues	**13,603,419**	11,289,606	**20%**	**52,508,298**	39,970,814	31%

Revenue for Q4 2023 was $13,603,419 as compared to $11,289,606 in Q4 2022, an increase of $2,313,813 or 20%.

The changes are explained by:

- **An increase of $2,566,101 or 29% in term licenses, maintenance and support revenue from Q4 2022 to Q4 2023.**

  The positive increase reflects the impact of organic revenue growth in the Company's suite of products, coupled with revenue derived from the acquisition completed during the year.

  Term licenses, maintenance and support represent an important strategic source of revenue given its predictability and recurring nature and represented (83%) of revenues in Q4 2023 (Q4 2022 - 77%).

- **A decrease of $211,631 or (43%) in perpetual software licenses from Q4 2022 to Q4 2023.**

  Perpetual software licenses are dependent on the type of products sold. The decrease was primarily attributable to the timing of deliveries of the Company's Intouch products.

- **A decrease of $40,657 or (2%) in services, hardware and other revenue from Q4 2022 to Q4 2023.**

  Professional services, hardware and other revenue can vary depending on the timing of hardware deliveries and the progression of customer projects. The decrease is primary attributable to the deployment of the ongoing customer projects and the timing of delivery of hardware.

Revenue for the year ended December 31, 2023 was $52,508,298 as compared to $39,970,814 in the equivalent prior year period, an increase of $12,537,484 or 31%.

The changes are explained by:

- **An increase of $12,972,892 or 44% in term licenses, maintenance and support revenue for the year ended December 31, 2023.**

  This increase was due to organic growth coupled with revenue derived from the acquisitions completed during the first quarter of 2023 and the previous year.

  Term licenses, maintenance and support represented 81% of revenues for the year ended December 31, 2023 (year ended December 31, 2022 - 73%).

- **A decrease of $2,709,326 or (75%) in perpetual software licenses for the year ended December 31, 2023.**

  Perpetual software licenses are dependent on the type of products sold. The decrease was primarily attributable to the unusual volume of high margin perpetual license sales of $2,767,253 in Q1 2022.

- **An increase of $2,273,918 or 33% in services, hardware and other revenue for the year ended December 31, 2023.**

  Professional services, hardware and other revenue can vary depending on the timing of hardware deliveries and the progression of customer projects. The increase is primarily attributable to the deployment of the ongoing customer projects, deliveries of hardware and additional service revenues from the new subsidiaries.

COST OF SALES, GROSS PROFIT AND EXPENSES

Cost of sales

Cost of sales consists of commissions, hosting, royalties, hardware and employee salaries for development and support staff.

For Q4 2023, cost of sales was $2,364,543 or 17% of revenue, as compared to $1,999,560 or 18% of revenue for Q4 2022, an increase of $364,983 or 18%.

For the year ended December 31, 2023, cost of sales was $9,697,998 or 18% of revenue, as compared to $7,031,819 or 18% of revenue for the equivalent prior year period, an increase of $2,666,179 or 38%.

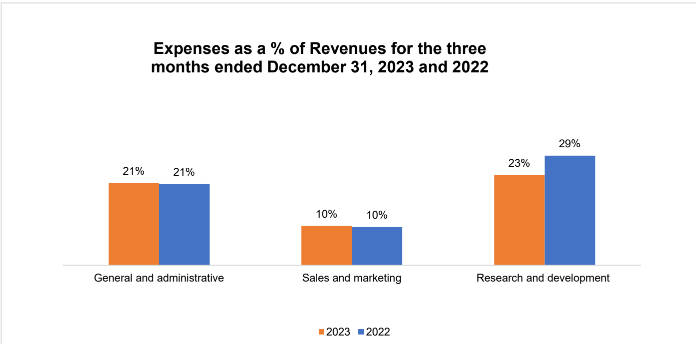
Cost of sales is largely dependent on sales mix. High margin perpetual licenses and recurring licenses, maintenance and support cost less to deliver, while professional services and hardware sales cost more to deliver. We anticipate cost of sales to fluctuate with increased revenues and based on the revenue mix. Management continuously works to improve margins by growing our recurring revenues, and by generating synergies on acquired businesses and overall efficiencies to reduce cost of sales.

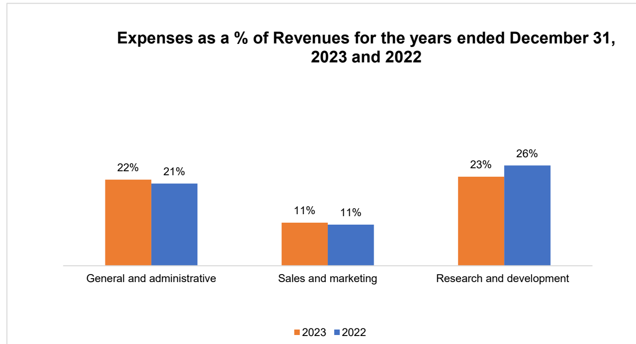
Gross profit

Gross profit for Q4 2023, was $11,238,876 or 83% of revenue, as compared to $9,290,046 or 82% of revenue for Q4 2022, an increase of $1,948,830 or 21%.

For the year ended December 31, 2023, gross profit was $42,810,300 or 82% of revenue, as compared to $32,938,995 or 82% of revenue for the equivalent prior year period, an increase of $9,871,305 or 30%.

Gross profit as a percentage of revenue changes are largely dependent upon the sales mix, with perpetual and term licenses, and maintenance and support generating a higher margin than consulting services and hardware revenue. The positive increase in amount reflects both higher recurring revenue due to organic revenue growth, along with revenue from acquisitions completed during the year, combined with operating cost synergies from integrating acquisitions and management's ongoing effort to reduce cost of sales.





General and administrative expenses

General and administrative expenses include employee salaries related to finance and administration personnel, travel, professional fees (legal, audit, tax and consultants), public company expenses, listing fees and related expenses, and overhead expenses associated with maintaining the Company's office and premises.

General and administrative expenses for Q4 2023, were $2,911,708 or 21% of revenue, as compared to $2,390,847 or 21% of revenue for Q4 2022.

For the year ended December 31, 2023, general and administrative expenses were $11,765,148 or 22% of revenue, as compared to $8,556,468 or 21% of revenue for the equivalent prior year period, an increase of 1 percentage point of revenue.

Sales and marketing expenses

Sales and marketing expenses include the salaries, benefits, travel costs for our direct sales team, and marketing costs.

Sales and marketing expenses for Q4 2023, were $1,394,948 or 10% of revenue, as compared to $1,126,839 or 10% of revenue for Q4 2022.

For the year ended December 31, 2023, sales and marketing expenses were $5,883,267 or 11% of revenue, as compared to $4,275,151 or 11% of revenue for the equivalent prior year period.

Research and development expenses

Research and development ("R&D") expenses consist of the salaries, benefits, travel and training costs of our R&D team.
R&D expenses for Q4 2023, were $3,188,172 or 23% of revenue, as compared to $3,223,157 or 29% of revenue for Q4 2022, a decrease of 5 percentage points of revenue.

For the year ended December 31, 2023, R&D expenses were $12,169,285 or 23% of revenue, as compared to $10,431,212 or 26% of revenue for the equivalent prior year period, a decrease of 3 percentage points of revenue.

Although R&D expenses decreased as a percentage of revenue, the increase in dollars is due to the acquisition completed in 2023 and the previous year and the time it takes for synergies and costs savings to be recognized.

Depreciation and amortization

Depreciation consists of depreciation and amortization of the Company's tangible and intangible assets and right of use assets which include computers, furniture and fixtures, leasehold improvements, acquired technologies, customer relationships, brands and premise leases.

Depreciation and amortization for Q4 2023, was $1,245,496, as compared to $1,192,431 for Q4 2022, an increase of 4%.

For the year ended December 31, 2023, depreciation and amortization expenses were $4,977,694 as compared to $3,872,953 for the equivalent prior year period, an increase of 29%.

The increase is attributable to the charges from acquisitions made since Q1 2022. With acquisitions, depreciation and amortization will continue to increase due to acquired intangible assets and the related amortization taken over their estimated useful lives which range from 2-14 years. While this is an income statement expense, it is a non-cash item.

Share-based compensation

Share-based compensation for Q4 2023, was $220,494 as compared to $267,584 for Q4 2022, a decrease of 18%.

For the year ended December 31, 2023, share-based compensation expense was $1,058,919, as compared to $1,140,387 for the equivalent prior year period, a decrease of 7%.

Deferred share-based compensation

Deferred share-based compensation for Q4 2023 and for the year ended December 31, 2023 was $97,560, as compared to $nil for Q4 2022 and FY 2022.

Business acquisition, restructuring and integration costs

Business acquisition, restructuring and integration costs consist of costs incurred to acquire and integrate the businesses purchased, as well as expenses incurred to align segments of the business.

Business acquisition, restructuring and integration costs for Q4 2023, were $306,741, as compared to $1,022,171 for Q4 2022, a decrease of $715,430 or 70%.

For the year ended December 31, 2023, business acquisition, restructuring and integration costs were $1,534,835, as compared to $2,438,904 for the equivalent prior year period, a decrease of $904,069 or 37%.

These expenses were recognized in connection with the acquisition completed in 2023 and previous year, with the majority of the costs relating to professional fees to acquire the businesses and employee restructuring to gain synergies across the organization.

Interest and accretion expense (net of interest income)

Interest expense consists of bank charges and interest related to loans payable and contingent consideration net of interest income.

Interest income for Q4 2023 was $252,294 as compared to interest expense of $10,288 for Q4 2022, an increase of $262,582.

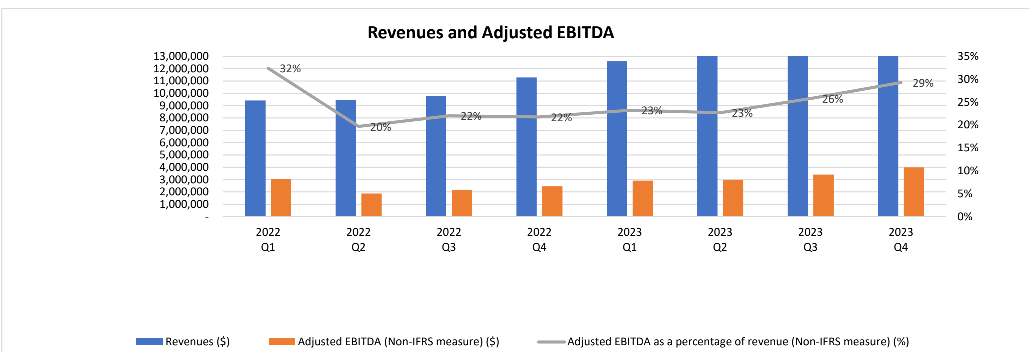
For the year ended December 31, 2023, interest income was $489,566, as compared to interest expense of $40,914 for the equivalent prior year period, an increase of $530,480.

The change was attributable to the Company having no debt during 2023 and therefore no interest payments, offset by interest earned on short-term investments.

RESULTS OF OPERATIONS

The following table highlights selected financial information for the eight consecutive quarters ended December 31, 2023:

	Q1 2022	Q2 2022	Q3 2022	**Q4 2022**	Q1 2023	Q2 2023	Q3 2023	**Q4 2023**
Revenues ($)	9,423,192	9,477,464	9,780,553	**11,289,606**	12,595,174	13,085,441	13,224,264	**13,603,419**
Net income (loss) ($)	1,437,615	74,579	40,777	**(338,331)**	162,168	621,451	2,827,077	**938,789**
EBITDA (Non-IFRS measure) ($)	2,367,047	1,023,686	1,389,065	**470,220**	1,987,747	1,979,464	2,928,358	**2,992,273**
Adjusted EBITDA (Non-IFRS measure) ($)	3,051,018	1,866,563	2,151,753	**2,455,377**	2,923,780	2,970,322	3,411,871	**3,985,553**
Net income (loss) per share - basic and diluted ($)	0.04	0.00	0.00	**(0.01)**	0.01	0.02	0.07	**0.03**
Weighted average number of shares outstanding - basic	37,120,147	41,916,986	43,381,770	**43,464,758**	43,617,864	43,628,373	43,657,411	**43,691,949**
Weighted average number of shares outstanding - diluted	39,268,851	43,787,986	44,647,770	**43,464,758**	44,685,367	44,690,876	46,215,618	**46,638,656**



Due to the relatively high amortization of intangibles and periodic restructuring and integration costs from acquisitions, management believes that adjusted EBITDA as a percentage of revenue is a relevant KPI to measure. Adjusted EBITDA as a percentage of revenue is a non-IFRS measure.

OUTSTANDING SHARE DATA

Share Capital

The authorized capital of the Company consists of an unlimited number of common shares. As at December 31, 2023, the Company had 43,712,411 (December 31, 2022 - 43,599,648) common shares issued and outstanding.

As at December 31, 2023 and December 31, 2022, there were no warrants outstanding.

Deferred share units outstanding as at December 31, 2023 were 123,414 (December 31, 2022 - 87,414).

Share options outstanding as at December 31, 2023 were 2,946,706 (December 31, 2022 - 2,450,206) which entitle the holders to purchase one common share of the Company.

The number of exercisable share options as at December 31, 2023 was 2,095,628 (December 31, 2022 - 1,444,091).

FINANCIAL CONDITION

Liquidity and Capital Resources

As at December 31, 2023, the Company had $33,480,018 in cash and cash equivalents on hand, compared to $17,452,210 as at December 31, 2022.

After spending approximately $1.8M on acquisitions in the year ended December 31, 2023, the Company has been able to grow the cash balance, due to continued revenue growth (both organically and through acquisition) and with an ongoing effort to manage costs and gain operating cost synergies.

CASH PROVIDED BY OPERATING ACTIVITIES

	Year ended		
	December 31, 2023	December 31, 2022	**Change**
	$	$	**$**
Net income	**4,549,485**	1,214,636	**3,334,849**
Items not affecting cash	**6,631,262**	5,905,181	**726,081**
Cash from operations before changes in working capital	**11,180,747**	7,119,817	**4,060,930**
Net change in non-cash working capital	**9,292,541**	(997,908)	**10,290,449**
Cash provided by operating activities	**20,473,288**	6,121,909	**14,351,379**

Cash provided by operating activities was $20,473,288 for the year ended December 31, 2023, as compared to $6,121,909 for the same period last year.

The increase was primarily due to an increase in cash generated from operations, as management continues to gain synergies from acquisitions and continue to reduce costs of operations.

CASH USED IN INVESTING ACTIVITIES

	Year ended		
	December 31, 2023	December 31, 2022	**Change**
	$	$	**$**
Cash used in investing activities	**(4,146,407)**	(21,843,912)	**17,697,505**

Cash used in investing activities relates primarily to the cash portion of the acquisition completed during the years. The decrease period over period was due to the number and cost of acquisitions completed, as well as the timing of contingent consideration payments.

CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

	Year ended		
	December 31, 2023	December 31, 2022	**Change**
	$	$	**$**
Cash (used in) provided by financing activities	**(287,894)**	16,402,569	**(16,690,463)**

Cash used in financing activities relates to principal payments on lease liabilities of $399,551, repurchase of common shares of $39,069 net of proceeds from exercise of options for $150,726. In 2022, cash provided from financing activities was higher primarily due to proceeds from a Scotiabank loan of $9,999,982 and the proceeds from the issuance of shares of $16,297,935, offset by loan repayments and the exercise of options and warrants.

CREDIT FACILITIES

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 December 31, 2023 the Company is in compliance with all of its covenants, and has no debt outstanding.

CONTINGENT OFF-BALANCE SHEET AND OTHER ARRANGEMENTS

The Company has obligations with respect to licence, maintenance, and support arrangements for any 12-month period. This obligation is reflected on the Company's statement of financial position through its deferred revenue balance. The Company has no material off-balance sheet obligations or contingencies.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This is a description of the Company's accounting estimates that are critical to determining the Company's financial results and changes to accounting policies.

The Company's Financial Statements are prepared in accordance with IFRS, which require the Company to make estimates and assumptions that affect the amounts reported in its Financial Statements. It has identified several policies as critical to the business operations and essential for an understanding of the results of operations. The application of these and other accounting policies are described in Note 3 of the Company's annual consolidated financial statements. There have been no significant changes in its critical accounting estimates from what was previously disclosed in its MD&A for the year ended December 31, 2022. These policies are incorporated herein by reference. Preparation of the Financial Statements requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary significantly from those estimates. Significant areas requiring the Company to make estimates include: the useful life of and value of assets, the valuation allowance of income tax accounts, the recognition of revenue and accrued liabilities.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter, there were no changes that are likely to materially affect the internal control over the Company's financial reporting.

RECONCILIATION AND DEFINITION OF NON-IFRS MEASURES

Annual recurring revenue

Annual recurring revenue is defined as annual renewable software licence fees and maintenance services. The Company defines ARR as the recurring revenue we can expect based on yearly subscriptions of the renewable software license fees and maintenance services. Annual recurring revenue is a non-IFRS measure.

Annual Recurring Revenue	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Opening balance ($)	22,106,663	24,015,090	31,219,508	30,967,215	22,106,663	36,145,150	39,634,517	41,008,702	42,612,166	36,145,150
Organic net of churn ($)	1,485,613	823,506	850,755	925,034	4,084,908	1,462,766	1,491,003	1,475,975	1,959,986	6,389,730
Organic net of churn (%)	7%	3%	3%	3%	18%	4%	4%	4%	5%	18%
Acquisition ($)	1,032,000	6,748,747	0	3,000,854	10,781,601	1,100,000	0	0	0	1,100,000
Acquisition (%)	5%	28%	0%	10%	49%	3%	0%	0%	0%	3%
Effect of foreign exchange (loss)	(609,186)	(367,835)	(1,103,048)	1,252,046	(828,022)	926,600	(116,818)	127,489	1,588	938,859
Effect of foreign exchange (loss)	(3%)	(2%)	(4%)	4%	(4%)	3%	(0%)	0%	0%	3%
Closing balance ($)	24,015,090	31,219,508	30,967,215	36,145,150	36,145,150	39,634,516	41,008,702	42,612,166	44,573,739	44,573,739

- **ARR[(1–2)] at December 31, 2023 was $44,573,739 as compared to $42,612,166 at September 30, 2023.**

  ARR[(1–2)] movement is attributable to the following:

  - Organic growth of $1,959,986 or 5% (21.7% annualized)

- **ARR[(1–2)] at December 31, 2023 was $44,573,739 as compared to $36,145,150 at December 31, 2022, an increase of $8,428,589 or 23%.**

  ARR[(1–2)] movement is attributable to the following:

  - Organic growth of $6,389,730 or 18%;
  - Growth from acquisitions of $1,100,000 or 3%;
  - Gain of $938,859 or 3% primarily due to the fluctuation in the GBP pound and US dollar rates relative to the CAD dollar.

The continued increase in ARR growth is reflective of our strategy to grow the business both organically and through acquisition.

(1) The Company defines annual recurring revenue ("ARR") as the recurring revenue expected based on yearly subscriptions.

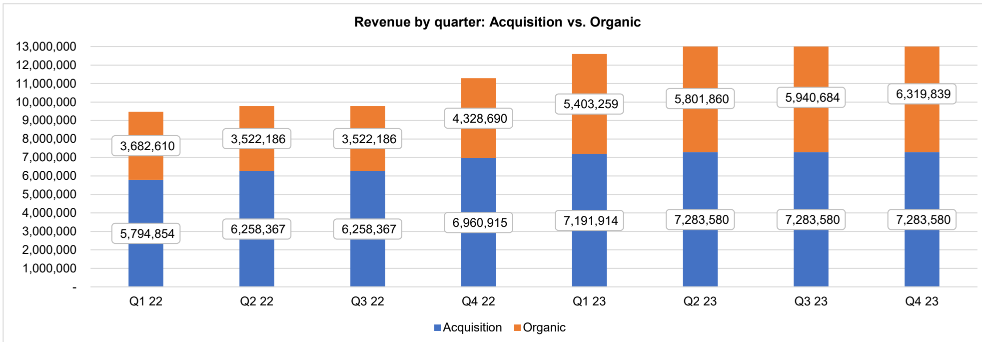
(2) Non-IFRS measure.

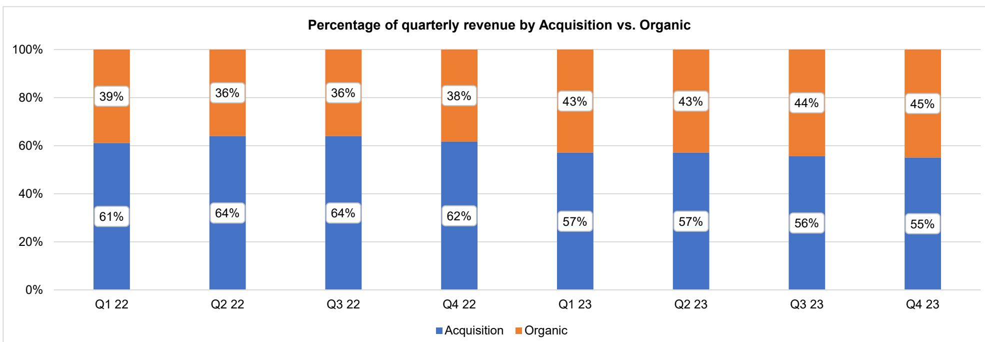
Acquisition and organic revenue

Acquisition revenue is defined as the annual contract value of revenues of the acquired companies at the time of acquisition. Organic revenue growth is defined as the revenue over and above the acquisition revenues. Acquisition revenue is a non-IFRS measure.

The Company has a robust two-pronged growth strategy, targeting organic growth opportunities within its product suite, and pursuing an aggressive M&A plan.

These charts reflect the success of the Company's robust M&A strategy, coupled with the Company's ability to organically grow the businesses acquired, where appropriate.





Earnings before interest, taxation, depreciation, and amortization ("EBITDA")

EBITDA is a measure used by management to evaluate operational performance. It is also a common measure that is reported on and used by investors in determining a company's ability to incur and service debt, as well as a valuation methodology. Management believes EBITDA enhances the information provided in the Financial Statements. EBITDA is a non-IFRS measure and should not be considered an alternative to operating income or net income (loss) in measuring the Company's performance. EBITDA should not be used as an exclusive measure of cash flows because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash which are disclosed in the interim condensed consolidated statements of cash flows.

The following chart reflects the Company's calculation of EBITDA:

	Three months ended		**Year ended**	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	$	$	**$**	$
Net income	**938,789**	(338,331)	**4,549,485**	1,214,636
Add: Interest	**(237,469)**	(65,875)	**(417,585)**	70,345
Add: Depreciation and amortization	**1,245,496**	1,192,431	**4,977,694**	3,872,953
Add: Current and deferred tax expense	**1,045,457**	(318,005)	**778,248**	92,081
EBITDA	**2,992,273**	470,220	**9,887,842**	5,250,015

Adjusted EBITDA

Adjusted EBITDA, defined as Earnings before Interest, Taxation, Depreciation, Amortization, Share-Based compensation expense, business acquisition, restructuring and integration costs are an additional measure used by management to evaluate cash flows and the Company's ability to service debt. Adjusted EBITDA is a non-IFRS measure and should not be considered an alternative to operating income or net income (loss) in measuring the Company's performance.

The following chart reflects the Company's calculation of adjusted EBITDA:

	Three months ended		**Year ended**	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	$	$	**$**	$
EBITDA	**2,992,273**	470,220	**9,887,842**	5,250,015
Add: Share and deferred-based compensation expense	**220,494**	267,585	**1,156,479**	1,140,387
Add: Business acquisition, restructuring and integration costs	**306,741**	1,022,170	**1,534,835**	2,438,904
Add: Loss on change in fair value of contingent consideration	**466,045**	695,402	**712,370**	695,402
Adjusted EBITDA	**3,985,553**	2,455,377	**13,291,526**	9,524,708

Risks and Uncertainties

The Company operates in a dynamic environment that exposes it to a number of risks and uncertainties. The following section describes some, but not all, of the risks and uncertainties that may adversely impact Vitalhub business, financial condition, and/or results of operations. If any of these risks actually occur, the Company's business, financial condition and/or results of operations could be materially harmed.

The annual revenue and operating results of Vitalhub can be difficult to predict and can fluctuate substantially, which may harm or distort results of operations.

Vitalhub's revenue is difficult to forecast and is likely to fluctuate significantly from quarter to quarter. In addition, operating results may not follow any past trends. The factors affecting revenue and results, many of which are outside of Vitalhub's control, include:

- Competitive conditions in the industry, including new products, product announcements and special pricing offered by competitors;
- Market acceptance of products;
- Ability to hire, train and retain sufficient qualified sales and professional services staff;
- Ability to complete service obligations related to product sales in a timely manner;
- Varying size, timing and contractual terms of orders for products, which may delay the recognition of revenue;
- Ability to maintain existing relationships and to create new relationships to assist with sales and marketing efforts;
- The discretionary nature of hospital purchase and budget cycles and changes in their budgets for, and timing of, software and related purchases;
- The length and variability of the sales cycles;
- Strategic decisions by Vitalhub or competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- General weakening of the economy resulting in a decrease in the overall demand for computer software and services;
- Changes in Vitalhub pricing policies and the pricing policies of Vitalhub's competitors;
- Timing of product development and new product initiatives;
- Changes in the mix of revenue attributable to substantially lower-margin service revenue as opposed to higher margin product license revenues;
- Cancellation of recurring monthly software contracts;
- Vitalhub's annual revenue is dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of sales prospects into revenue could cause the plan or budget to be inaccurate, and those variations could adversely affect financial results. Delays, reductions in the amount, or cancellations of customers' purchases would adversely affect Vitalhub revenues, results of operations and financial condition;
- 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.

Vitalhub may need additional financing in order to support its operations, make further investments, or take advantage of unanticipated opportunities.

The ability of Vitalhub to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as its business success. There can be no assurance that Vitalhub will be successful in its efforts to arrange additional financing on satisfactory terms.

If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of Vitalhub may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, then Vitalhub may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

Vitalhub may be unable to identify and complete acquisitions. Acquisitions could divert Management's attention and financial resources, may negatively affect operating results and could cause significant dilution to shareholders.

Vitalhub has, and in the future may continue to, engage in selective acquisitions of complementary products or businesses. There is a risk that Vitalhub will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into its operations. Vitalhub is likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources. Acquisitions may involve a number of other risks, including:

- Diversion of management's attention;
- Disruption to ongoing business;
- Failure to retain key acquired personnel;
- Difficulties in integrating acquired operations, technologies, products, or personnel;
- Unanticipated expenses, events, or circumstances;
- Assumption of disclosed and undisclosed liabilities;
- Inappropriate valuation of the acquired in-process research and development, or the entire acquired business.

If Vitalhub does not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on the business, results of operations and financial condition. Problems with an acquired business could have a material adverse effect on the performance of the business as a whole. In addition, if Vitalhub proceeds with an acquisition, available cash may be used to complete the transaction, diminishing liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

The industry in which Vitalhub operates is highly competitive and competition could intensify, or any technological advantages held by Vitalhub may be reduced or lost, as a result of technological advances by its competitors. If Vitalhub does not compete effectively with these competitors, its revenue may not grow.

Vitalhub has experienced competition from a number of software companies and expects it to continue in the future. Vitalhub's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and reduced growth in sales, any of which could have a material adverse effect on the business, results of operations and financial condition of Vitalhub. Vitalhub faces substantial competition from established competitors, many of which may have greater financial, engineering, manufacturing and marketing resources than it does. Many of these companies also have a larger installed base of users, have longer operating histories or have greater name recognition than Vitalhub does. There can be no assurance that Vitalhub will successfully differentiate its current and proposed products from the products of its competitors, or that the marketplace will consider the products of Vitalhub, to be superior to competing products.

To maintain Vitalhub's competitive position, it is believed that Vitalhub will be required to continue a high level of investment in engineering, research and development, marketing and customer service and support. There can be no assurance that Vitalhub will have sufficient resources to continue to make these investments, that it will be able to make the technological advances necessary to maintain its competitive position, or that its products will receive market acceptance. Vitalhub's competitors may be able to respond more quickly to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products. Vitalhub may not be able to compete successfully in the future, and increased competition may result in price reductions, reduced profit margins, loss of market share and an inability to generate cash flows that are sufficient to maintain or expand its development of new products.

The success of the business of Vitalhub is partially dependent upon its ability to develop new products and enhance existing products.

To keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance, Vitalhub must enhance and improve existing products and must also continue to introduce new products and services. If Vitalhub is unable to successfully develop new products or enhance and improve existing products or it fails to position and/or price its products to meet market demand, the business and operating results of Vitalhub will be adversely affected. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development that could adversely affect operating results. Further, any new products could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue.

If Vitalhub is required to change its pricing models to compete successfully, margins and operating results may be adversely affected.

The intensely competitive market in which Vitalhub operates may require that prices be reduced. If competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other software products, Vitalhub may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would be likely to reduce margins and could adversely affect operating results. Some competitors may bundle software products that compete with Vitalhub products for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. These practices could, over time, limit the prices that Vitalhub can charge for its products. If Vitalhub cannot offset price reductions with a corresponding increase in the number of sales or with lower spending, then the reduced software license revenue resulting from lower prices would adversely affect margins and operating results.

Vitalhub may not be able to successfully develop and maintain strategic relationships to sell and implement its products.

Vitalhub has or is developing relationships with third-party systems integrators, software, and hardware vendors. These third parties may provide Vitalhub with customer referrals, cooperate in marketing Vitalhub's products and provide its customers with systems implementation services or additional complementary products. However, Vitalhub does not have formal agreements governing ongoing relationships with certain of these third-party providers and the agreements in place generally do not include obligations with respect to generating sales opportunities or co-operating on future business. Should any of these third parties go out of business or choose not to work with Vitalhub, the Company may be forced to increase the development of those capabilities internally, incurring significant expense and adversely affecting operating margins. These third-party providers may work with other companies which have products that compete with the Vitalhub products. Vitalhub could lose sales opportunities if it fails to work effectively with these parties or they choose not to work with Vitalhub.

The operations of Vitalhub could be negatively affected if it loses key executives or employees or is unable to attract and retain skilled executives and employees as needed.

The business and future operating results of Vitalhub depend in part upon its ability to attract and retain qualified management, technical, sales, marketing, and support personnel. This is crucial to the ability of Vitalhub to develop, market, and support its products and services. The loss of key personnel could negatively impact Vitalhub's business, results of operations, and financial condition. The success of Vitalhub is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Competition for such personnel can be intense, and no assurance can be made that Vitalhub will be able to attract or retain highly qualified technical and managerial personnel in the future. The inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect the future growth and profitability of Vitalhub. It may be necessary to increase the level of compensation paid to existing or new employees to a degree that operating expenses could be materially increased.

Errors in Vitalhub products could result in significant costs to Vitalhub and could impair its ability to sell its products.

Vitalhub products are complex and, accordingly, they may contain errors, or "bugs", that could be detected at any point in their product life cycle. The reputation of Vitalhub could be materially and adversely affected by errors in the products. These errors could result in significant costs to Vitalhub, delay planned release dates and impair the ability to sell products in the future. The costs incurred in correcting any product errors may be substantial and could adversely affect operating margins. While Vitalhub plans to continually test its products for errors and work with customers through maintenance support services to identify and correct bugs, errors in the products may be found in the future.

A successful product liability claim against Vitalhub could seriously harm the business.

The license agreements that Vitalhub enters into with its customers typically contain provisions designed to limit the exposure Vitalhub has to potential product liability claims. Despite this, it is possible that these limitations of liability provisions may not be effective as a result of existing or future laws or unfavourable judicial decisions. Vitalhub has not experienced any product liability claims to date. However, the sale and support of Vitalhub products may entail the risk of those claims, which are likely to be substantial considering the use of the products in critical applications. A successful product liability claim could result in significant monetary liability and a serious disruption of the business.

Economic uncertainty and downturns in the software market may lead to decreases in the revenue and margins of Vitalhub.

The market for Vitalhub's products depends on economic conditions affecting the broader software market. Downturns in the economy may cause hospitals to delay or cancel software projects, reduce their overall information technology budgets, or reduce or cancel orders for Vitalhub products. This may lead to longer sales cycles, delays or failures in payment and collection, and price pressures, causing Vitalhub to realize lower revenue and margins.

Vitalhub may lose sales or sales may be delayed due to the long sales cycles for its products.

Hospitals typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to license software products. Typically, the larger the sale, the more time, money, and other resources will be invested. As a result, it may take many months after Vitalhub first has contact with a potential customer before a sale can be completed. Vitalhub may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for implementation of Vitalhub products varies among its customers and may last several months, depending on the customers' needs and the products deployed.

During these long sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. For example:

- Purchasing decisions may be cancelled, postponed, or large purchases reduced, during periods of economic uncertainty;
- Vitalhub or its competitors may announce or introduce new products; or
- The customer's budget and purchasing priorities may change.

If these events were to occur, sales of Vitalhub products or services may be cancelled or delayed, which would reduce future revenue.

Maintenance and service revenue produce substantially lower gross margins than license revenue, and an increase in service revenue relative to license revenue would harm Vitalhub's overall gross margins.

Maintenance and service revenue have substantially lower gross margins than license revenue. An increase in the percentage of net revenue represented by maintenance and service revenue could adversely affect overall gross margins percentage.

The volume and profitability of services can depend in large part upon:
- Competitive pricing pressure on the rates charged for professional services;
- Billable utilization of services personnel;
- The complexity of clients' IT environments; and
- The resources directed by customers to their implementation projects.

Any erosion of margins for maintenance and service revenue, or any adverse changes in the mix of license versus maintenance and service revenue, could adversely affect operating results.

Vitalhub may license software from third parties. The loss of rights to use this software could increase operating expenses and could adversely affect the Company's ability to compete.

Vitalhub may license certain technologies used in its products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could delay Vitalhub's ability to ship its products, as Vitalhub may need to seek to implement alternative technology offered by other sources. This may require unplanned investments by Vitalhub. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more products or relating to current or future technologies to enhance Vitalhub's product offerings. There is a risk that Vitalhub will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

Vitalhub is exposed to foreign currency risk by reason of collecting some of its revenues in US, GBP, AUD, and QAT dollars and plans to sell into other foreign geographies as well as subsidiaries in foreign countries, a change in the foreign currency exchange rate could adversely affect the Company's earnings.

For FY 2023 approximately 79% (FY 2022 - 78%) of Vitalhub's sales revenue originated from clients in the United States, the United Kingdom, Australia, Western Asia and the rest of the world. It is possible that a greater percentage of Vitalhub's sales could emanate from other foreign countries. As such, a significant portion of Vitalhub's revenues are other foreign currencies which it then converts into Canadian dollars for reporting in its financial statements. Vitalhub's earnings could be adversely affected if the exchange rate between other foreign currencies and Canadian dollars fluctuates.

Security breaches, denial of service attacks, or other hacking and phishing attacks on our systems or other security breaches, including internal security failures and other privacy breaches including the unauthorized access to, use or disclosure of personal information, could harm our reputation or subject us to significant liability, and adversely affect our business and financial results.

In the current environment, the volume, velocity and creativity of security threats and cyber-attacks continue to grow, this includes criminal hackers, hacktivists, state-sponsored organizations, industrial espionage, employee misconduct, and human or technological errors.

The integrity, reliability and security of information in all forms are critical to the Company's daily and strategic operations. Despite the Company's efforts to create security barriers, the Company is susceptible to operational, financial and information security risks resulting from cyber-attacks and/or technological malfunctions. Successful cyber-attacks, security breaches and/or technological malfunctions affecting the Company or its products or services can result in, among other things, litigation, governmental audits or investigations, financial penalties or losses, unauthorized release of customer information or confidential information, loss of confidence in the Company's products and services and significant reputational risk, each of which could adversely affect its business, financial condition and results of operations.

Third parties to whom the Company outsources certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third- party service provider or partner could harm the Company's business even if the Company does not control the service that is attacked.

Vitalhub is exposed to certain risks relating to Operating in Sri Lanka

General Emerging Market Risk

In certain emerging market countries, including in Sri Lanka where the Company maintains operation of its subsidiary Vitalhub (PVT) Ltd., there is the possibility of expropriation of assets, confiscatory taxation, political or social instability or diplomatic developments which could affect investment in those countries. There may be less publicly available information about certain financial instruments than some investors would find customary and entities in some countries may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which certain investors may be accustomed. Certain financial markets, while generally growing in volume, have, for the most part, substantially less volume than more developed markets, and securities of many companies are less liquid and their prices more volatile than securities of comparable companies in more sizeable markets. There are also varying levels of government supervision and regulation of exchanges, financial institutions and issuers in various countries.

Political Risk

The Sri Lankan's government's priorities with respect to business opportunities for international companies include: (i) developing a digital economy; (ii) improving cyber security and technology in government; and (iii) improving education and healthcare. The Company currently operates in those sectors and contributes to the accomplishment of the current government's goals. There can be no assurance that future governments will share those priorities or view the presence of the Company in Sri Lanka, or any foreign investment or operations, favourably. Policies, laws or regulations may be changed that adversely affect the Company's operations in Sri Lanka.

Bribery and Corruption

Corruption in government procurement processes in Sri Lanka is a significant issue. Public officials are not routinely compelled to declare their assets and "conflict of interest" guidance is unclear and essentially unenforceable. At present, the mandates of Sri Lankan anti-corruption bodies do not extend to the private sector in Sri Lanka. Transparency International's corruption perception index (CPI) measures the perceived levels of public-sector corruption in a given country. From 180 countries worldwide Sri Lanka was ranked 115 in 2023. In the South Asia Region, Sri Lanka ranks higher than Pakistan at 133 and Bangladesh at 149 but lags behind India ranked at 93.