Management's Discussion & Analysis

For the three and six months ended June 30, 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 August 10, 2023 supplements, but does not form part of the of the unaudited interim condensed consolidated financial statements and notes of Vitalhub Corp. ("Vitalhub", or the "Company") for the three and six months ended June 30, 2023 and 2022.

The Company prepares its interim condensed 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 unaudited interim condensed 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 600+ customers across North America, Australia, the UK, 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 in the provisioning 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 seasoned 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 will focus on government funded healthcare systems in Canada and internationally in the UK, Australia, Qatar, UAE and Latvia.

Second Quarter 2023 Highlights

- **Revenue of $13,085,441 as compared to $9,477,464 in the equivalent prior year period, an increase of $3,607,977 or 38%.**

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

- **Gross profit as a percentage of revenue was 81% compared to 83% in the equivalent prior year period (Q1 2023 - 80%).**

  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 decrease in Q2 2023 was primarily due to an increase in lower margin service revenues in the quarter.

- **ARR(1–2) at June 30, 2023 was $41,008,702 as compared to $39,634,517 at March 31, 2023.**

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

  - Organic growth of $1,491,003 or 4%;
  - Loss of $116,818 or 0.3% due to the decrease in AUD and USD dollar rates relative to the CAD dollar in the quarter.

- **EBITDA(2) of $1,979,464 compared to $1,023,686 in the equivalent prior year period.**

- **Adjusted EBITDA(2) of $2,970,322 or 23% of revenue, compared to $1,866,563 or 20% of revenue in the equivalent prior year period.**

  The increase in EBITDA and adjusted EBITDA from Q2 2022 to Q2 2023 was primarily attributable to the higher recurring revenues of $10,210,367 in Q2 2023, as compared to $7,232,646 in Q2 2022.

  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 $742,516 as compared to a net loss of $9,957 in the equivalent prior year period.**

  The increase was primarily attributable to the significant increase in revenues from organic growth and acquisitions, and lower expenses as a percentage % of sales.

Six Month 2023 Highlights

- **Revenue of $25,680,615 as compared to $18,900,656 in the equivalent prior year period, an increase of $6,779,959 or 36%.**

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

- **Gross profit as a percentage of revenue was 81% compared to 84% 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. The decrease of 3% was primarily due to the unusual volume of high margin perpetual license sales of $2,767,253 in Q1 2022.

- **ARR(1–2) at June 30, 2023 was $41,008,702 as compared to $31,219,508 at June 30, 2022, an increase of $9,789,194 or 31%.**

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

  - Organic growth of $4,748,634 or 15%;
  - Growth from acquisitions of $4,100,854 or 13%.
  - Gain of $939,705 or 3.0% due to the fluctuation in the GBP 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 $3,967,211 compared to $3,390,734 in the equivalent prior year period.**

- **Adjusted EBITDA(2) of $5,894,102 or 23% of revenue, compared to $4,917,582 or 26% of revenue in the equivalent prior year period.**

  The increase in EBITDA and adjusted EBITDA from Q2 2022 to Q2 2023 was primarily attributable to the higher recurring revenues of $20,207,851 in Q1 2023, as compared to $12,965,537 in Q2 2022.

  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.

- **Cash on hand at June 30, 2023 was $22,944,268 compared to $17,452,210 as at December 31, 2022.**

  After spending approximately $1.8M on acquisitions in the six months ended June 30, 2023, the Company has been able to maintain a steady cash balance, due to continued revenue growth (both organically and through acquisition) and with an ongoing effort to reduce costs and gain operating cost synergies.

- **Cash from operations before changes in working capital was $4,068,458 as compared to $3,994,704 for the same period last year.**

- **Net income before income taxes of $1,522,944 as compared to $1,553,560 in the equivalent prior year period.**

  The change in net income was primarily attributable to the unusual volume of high perpetual license sales of $2,767,253 in Q1 2023.

(1) The Company defines annual recurring revenue (“ARR”) as the recurring revenue expected based on yearly subscriptions of the renewable software license fees and maintenance services

(2) Non-IFRS measure

SELECTED FINANCIAL INFORMATION

	Three months ended					Six months ended				
	June 30, 2023	% Revenue	June 30, 2022	% Revenue	Change	June 30, 2023	% Revenue	June 30, 2022	% Revenue	Change
	$		$		%	$		$		%
Revenue	13,085,441	100%	9,477,464	100%	38%	25,680,615	100%	18,900,656	100%	36%
Cost of sales	2,468,871	19%	1,605,282	17%	(54%)	4,940,748	19%	3,079,861	16%	(60%)
Gross profit	10,616,570	81%	7,872,182	83%	35%	20,739,867	81%	15,820,795	84%	31%
Operating expenses										
General and administrative	2,558,469	20%	2,160,235	23%	(18%)	6,169,561	24%	4,005,747	21%	(54%)
Sales and marketing	1,739,979	13%	1,023,250	11%	(70%)	3,021,644	12%	2,071,639	11%	(46%)
Research and development	3,293,624	25%	2,634,222	28%	(25%)	5,813,645	23%	4,658,589	25%	(25%)
Depreciation of property and equipment	82,885	1%	60,556	1%	(37%)	158,168	1%	103,873	1%	(52%)
Depreciation of right-of-use assets	101,742	1%	52,094	1%	(95%)	197,649	1%	115,482	1%	(71%)
Stock based compensation	293,957	2%	314,540	3%	7%	571,641	2%	583,784	3%	2%
Deferred share-based compensation	97,560	1%	-	0%	100%	97,560	0%	-	0%	100%
Foreign currency loss (gain)	54,176	0%	186,855	2%	71%	(159,085)	(1%)	166,180	1%	196%
Other income and expenses										
Amortization of intangible assets	1,070,214	8%	795,270	8%	(35%)	2,124,461	8%	1,479,198	8%	(44%)
Business acquisition, restructuring and integration costs	353,016	3%	528,337	6%	33%	1,011,365	4%	943,064	5%	(7%)
Interest expense and accretion (net of interest income)	(37,368)	(0%)	110,405	1%	134%	(76,355)	(0%)	105,686	1%	172%
Interest expense from lease liabilities	19,475	0%	15,318	0%	(27%)	40,344	0%	32,936	0%	(22%)
Current and deferred income taxes	121,065	1%	(84,536)	(1%)	243%	739,325	3%	41,366	0%	(1687%)
Net income	621,451	5%	74,579	1%	733%	783,619	3%	1,512,194	8%	(48%)
EBITDA (Non-IFRS measure)	1,979,464	15%	1,023,686	11%	93%	3,967,211	15%	3,390,734	18%	17%
Adjusted EBITDA (Non-IFRS measure)	2,970,322	23%	1,866,563	20%	59%	5,894,102	23%	4,917,582	26%	20%
Annual recurring revenue (Non-IFRS measure)	41,008,702		31,219,508		31%	41,008,702		31,219,508		31%
Term licences, maintenance and support revenue	10,210,645	78%	7,232,646	76%	41%	20,208,129	79%	12,965,537	69%	56%

	As at	
	June 30, 2023	December 31, 2022
	$	$
Deferred revenue	24,668,947	15,495,461
Cash balance	22,944,268	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**			**Six months ended**		
	June 30, 2023	June 30, 2022	**Change**	**June 30, 2023**	June 30, 2022	**Change**
	$	$	**%**	**$**	$	**%**
Term licenses, maintenance and support	**10,210,645**	7,232,646	**41%**	**20,208,129**	12,965,537	56%
Perpetual licenses	**255,058**	149,253	**71%**	**565,456**	2,916,776	(81%)
Services, hardware and other	**2,619,738**	2,095,565	**25%**	**4,907,030**	3,018,343	63%
Total Revenues	**13,085,441**	9,477,464	**38%**	**25,680,615**	18,900,656	36%

Revenue for Q2 2023 was $13,085,441 as compared to $9,477,464 in Q2 2022, an increase of $3,607,977 or 38%.

The changes are explained by:

- **An increase of $2,977,999 or 41% in term licenses, maintenance and support revenue from Q2 2022 to Q2 2023.**

  This increase reflects the impact of continued organic revenue growth in the Company's suite of products, coupled with revenue derived from acquisitions completed during the previous quarter and year.

  Term licenses, maintenance and support represent an important strategic source of revenue given its predictability and recurring nature and represented 78% of revenues in Q2 2023 (Q2 2022 - 76%).

- **An increase $105,805 or 71% in perpetual software licenses from Q2 2022 to Q2 2023.**

  Perpetual software licenses are dependent on the type of products sold. The increase was primarily attributable to new customer sales in Q2 2023 and the timing of deliveries of the Company's BCare and Intouch products.

- **An increase of $524,173 or 25% in services, hardware and other revenue from Q2 2022 to Q2 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 primary attributable to the deployment of the ongoing customer projects and additional service revenues from the new subsidiaries.

Revenue for the six months ended June 30, 2023 was $25,680,615 as compared to $18,900,656 in the equivalent prior year period, a increase of $6,779,959 or 36%.

The changes are explained by:

- **An increase of $7,242,592 or 56% in term licenses, maintenance and support revenue for the six months ended June 30, 2023.**

  This increase reflects the impact of continued organic revenue growth in the Company's suite of products, coupled with revenue derived from acquisitions completed during the previous quarter and year.

  Term licenses, maintenance and support represented 79% of revenues for the six months ended June 30, 2023 (Six months ended June 30, 2022 - 69%).

- **A decrease of $2,351,320 or (81%) in perpetual software licenses for the six months ended June 30, 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, as compared to $565,447 for the six months ended June 30, 2023.

- **An increase of $1,888,687 or 63% in services, hardware and other revenue for the six months ended June 30, 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 primary attributable to the deployment of the ongoing customer projects 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 Q2 2023, cost of sales was $2,468,871 or 19% of revenue, as compared to $1,605,282 or 17% of revenue for Q2 2022, an increase of $863,589 or 54%.

For the six months ended June 30, 2023, cost of sales was $4,940,748 or 19% of revenue, as compared to $3,079,861 or 16% of revenue for the equivalent prior year period, an increase of $1,860,887 or 60%.

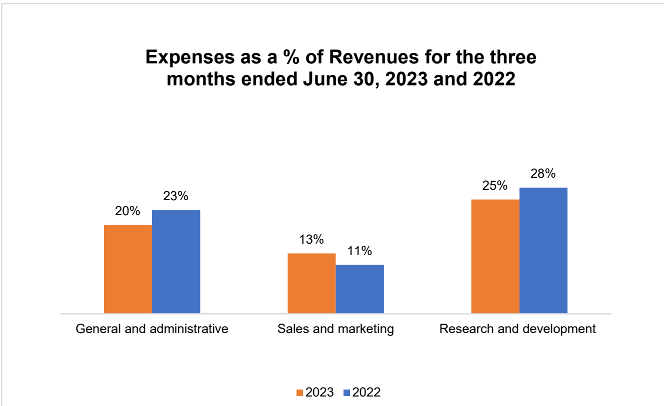
Cost of sales is largely dependent on sales mix. High margin perpetual licenses and recurring licenses, maintenance and support cost less to deliver, while professional services and hardware sales cost more to deliver. We anticipate cost of sales to fluctuate with increased revenues and based on the 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.

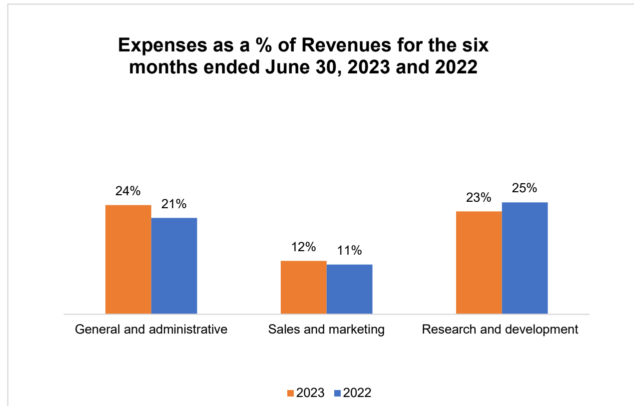
Gross profit

Gross profit for Q2 2023, was $10,616,570 or 81% of revenue, as compared to $7,872,182 or 83% of revenue for Q2 2022, an increase of $2,744,388 or 35%.

For the six months ended June 30, 2023, gross profit was $20,739,867 or 81% of revenue, as compared to $15,820,795 or 84% of revenue for the equivalent prior year period, an increase of $4,919,072 or 31%.

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 decrease of 3% was due to the unusual volume of high margin perpetual license sales of $2,767,253 in Q1 2022.





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 Q2 2023, were $2,558,469 or 20% of revenue, as compared to $2,160,235 or 23% of revenue for Q2 2022, a decrease of 3 percentage points of revenue.

For the six months ended June 30, 2023, general and administrative expenses were $6,169,561 or 24% of revenue, as compared to $4,005,747 or 21% of revenue for the equivalent prior year period, an increase of 3 percentage points of revenue.

The increase quarter over quarter was driven by increased costs from acquisitions completed in 2023 and previous years, plus the time it takes for synergies and cost savings to be recognized, which can take longer for general and administrative expenses due to their nature.

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 Q2 2023, were $1,739,979 or 13% of revenue, as compared to $1,023,250 or 11% of revenue for Q2 2022, an increase of 2 percentage points of revenue.

For the six months ended June 30, 2023, sales and marketing expenses were $3,021,644 or 12% of revenue, as compared to $2,071,639 or 11% of revenue for the equivalent prior year period, an increase of 1 percentage point of revenue.

The increase in sales and marketing expenses as a percentage of revenue and in dollars is due to several conferences and exhibitions attended during the quarter. We anticipate further increases as we add resources to sell products from our acquisitions in new geographies.

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 Q2 2023, were $3,293,624 or 25% of revenue, as compared to $2,634,222 or 28% of revenue for Q2 2022, a decrease of 3 percentage points of revenue.

For the six months ended June 30, 2023, R&D expenses were $5,813,645 or 23% of revenue, as compared to $4,658,589 or 25% of revenue for the equivalent prior year period, a decrease of 2 percentage points of revenue.

Although R&D expenses decreased as a percentage of revenue, the increase in dollars is due to the acquisitions completed in 2023 and previous years 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 Q2 2023, was $1,254,841, as compared to $907,920 for Q2 2022, an increase of 38%.

For the six months ended June 30, 2023, depreciation and amortization expenses were $2,480,278 as compared to $1,698,553 for the equivalent prior year period, an increase of 46%.

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 Q2 2023, was $293,957 as compared to $314,540 for Q2 2022, a decrease of 7%.

For the six months ended June 30, 2023, share-based compensation expense was $571,641, as compared to $583,784 for the equivalent prior year period, a decrease of 2%.

Deferred share-based compensation

Deferred share-based compensation for Q2 2023 and for the six months ended June 30, 2023 was $97,560, as compared to $nil for Q2 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 Q2 2023, were $353,016, as compared to $528,337 for Q2 2022, a decrease of $175,321 or 33%.

For the six months ended June 30, 2023, business acquisition, restructuring and integration costs were $1,011,365, as compared to $943,064 for the equivalent prior year period, an increase of $68,301 or 7%.

These expenses were recognized in connection with the acquisition completed in 2023, 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 Q2 2023 was $37,368 as compared to interest expense of $110,405 for Q2 2022, an increase of $147,773.

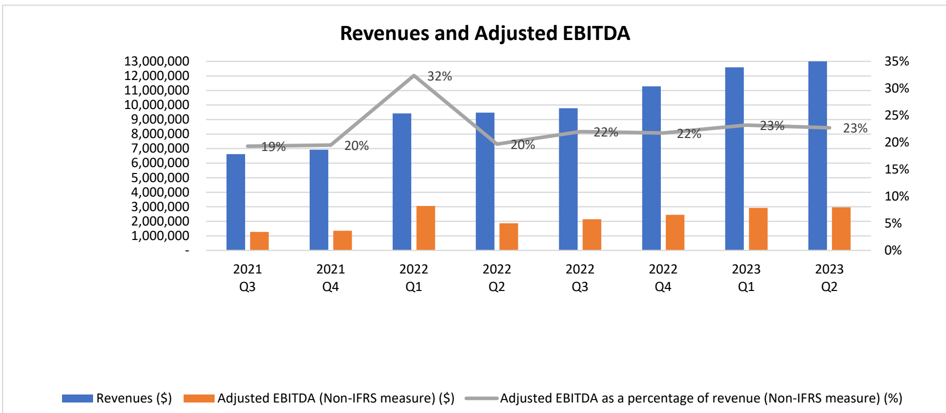
For the six months ended June 30, 2023, interest income was $76,355, as compared to interest expense of $105,686 for the equivalent prior year period, an increase of $182,041.

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 June 30, 2023:

	Q3 2021	Q4 2021	Q1 2022	**Q2 2022**	Q3 2022	Q4 2022	Q1 2023	**Q2 2023**
Revenues ($)	6,619,047	6,930,290	9,423,192	**9,477,464**	9,780,553	11,289,606	12,595,174	**13,085,441**
Net income (loss) ($)	(575,792)	(605,772)	1,437,615	**74,579**	40,777	(338,331)	162,168	**621,451**
EBITDA (Non-IFRS measure) ($)	189,088	470,036	2,367,047	**1,023,686**	1,389,065	470,220	1,987,747	**1,979,464**
Adjusted EBITDA (Non-IFRS measure) ($)	1,277,573	1,351,422	3,051,018	**1,866,563**	2,151,753	2,455,377	2,923,780	**2,970,322**
Net income (loss) per share - basic and diluted ($)	(0.02)	(0.02)	0.04	**0.00**	0.00	(0.01)	0.01	**0.02**
Weighted average number of shares outstanding - basic	36,677,405	36,898,290	37,120,147	**41,916,986**	43,381,770	43,464,758	43,617,864	**43,628,373**
Weighted average number of shares outstanding - diluted	36,677,405	36,898,290	39,268,851	**43,787,986**	44,647,770	43,464,758	44,685,367	**44,690,876**



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 June 30, 2023, the Company had 43,629,911 (December 31, 2022 - 43,599,648) common shares issued and outstanding.

As at June 30, 2023 and December 31, 2022, there were no warrants outstanding.

Deferred share units outstanding as at June 30, 2023 were 123,414 (December 31, 2022 - 87,414).

Share options outstanding as at June 30, 2023 were 2,913,206 (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 June 30, 2023 was 1,804,421 (December 31, 2022 - 1,444,091).

FINANCIAL CONDITION

Liquidity and Capital Resources

As at June 30, 2023, the Company had $22,944,268 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 six months ended June 30, 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 reduce costs and gain operating cost synergies.

CASH PROVIDED BY OPERATING ACTIVITIES

	Six months ended		
	June 30, 2023	June 30, 2022	**Change**
	$	$	**$**
Net income	**783,619**	1,512,194	**(728,575)**
Items not affecting cash	**3,284,839**	2,482,510	**802,329**
Cash from operations before changes in working capital	**4,068,458**	3,994,704	**73,754**
Net change in non-cash working capital	**4,602,925**	3,185,453	**1,417,472**
Cash provided by operating activities	**8,671,383**	7,180,157	**1,491,226**

Cash provided by operating activities was $8,671,383 for the six months ended June 30, 2023, as compared to $7,180,157 for the same period last year.

The increase in non-cash working capital was primarily attributable to an increase in accounts receivable of $6,524,006 due to the timing of billings, offset by an increase in deferred revenue of $8,870,111.

CASH USED IN INVESTING ACTIVITIES

	Six months ended		
	June 30, 2023	June 30, 2022	**Change**
	$	$	**$**
Cash used in investing activities	**(2,793,862)**	(13,848,271)	**11,054,409**

Cash used in investing activities relates primarily to the cash portion of the acquisition completed during the six months ended June 30, 2023. The decrease quarter over quarter was due to the cost of acquisitions completed, as well as the timing of contingent consideration payments.

CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

	Six months ended		
	June 30, 2023	June 30, 2022	**Change**
	$	$	**$**
Cash (used in) provided by financing activities	**(225,932)**	26,422,870	**(26,648,802)**

Cash used in financing activities relates to principal payments on lease liabilities of $194,363, repurchase of common shares of $39,069 net of proceeds from exercise of options for $7,500. In Q2 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 $16,296,220.

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 June 30, 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 and 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	Q3 2021	Q4 2021	Q1 2022	**Q2 2022**	Q3 2022	Q4 2022	Q1 2023	**Q2 2023**
Opening balance ($)	19,757,306	21,569,032	22,106,663	**24,015,090**	31,219,508	30,967,215	36,145,150	**39,634,517**
Organic net of churn ($)	281,206	649,416	1,485,613	**823,506**	850,755	944,110	1,462,766	**1,491,003**
Organic net of churn (%)	1%	3%	7%	**3%**	3%	3%	4%	**4%**
Acquisition ($)	1,319,098	0	1,032,000	**6,748,747**	0	3,000,854	1,100,000	**0**
Acquisition (%)	7%	0%	5%	**28%**	0%	10%	3%	**0%**
Effect of foreign exchange (loss)	211,422	(111,785)	(609,186)	**(367,835)**	(1,103,048)	1,232,971	926,600	**(116,818)**
Effect of foreign exchange (loss)	1%	(1%)	(3%)	**(2%)**	(4%)	4%	3%	**(0.3%)**
Closing balance ($)	21,569,032	22,106,663	24,015,090	**31,219,508**	30,967,215	36,145,150	39,634,517	**41,008,702**

- **ARR(1–2) at June 30, 2023 was $41,008,702 as compared to $39,634,517 at March 31, 2023.**

  ARR(1–2) movement is attributable to the following:
  - Organic growth of $1,491,003 or 4%;
  - Loss of $116,818 or 0.3% due to the decrease in AUD and USD dollar rates relative to the CAD dollar in the quarter.

- **ARR(1–2) at June 30, 2023 was $41,008,702 as compared to $31,219,508 at June 30, 2022, an increase of $9,789,194 or 31%.**

  ARR(1–2) movement is attributable to the following:
  - Organic growth of $4,748,634 or 15%;
  - Growth from acquisitions of $4,100,854 or 13%.
  - Gain of $939,705 or 3.0% due to the fluctuation in the GBP 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 of the renewable software license fees and maintenance services

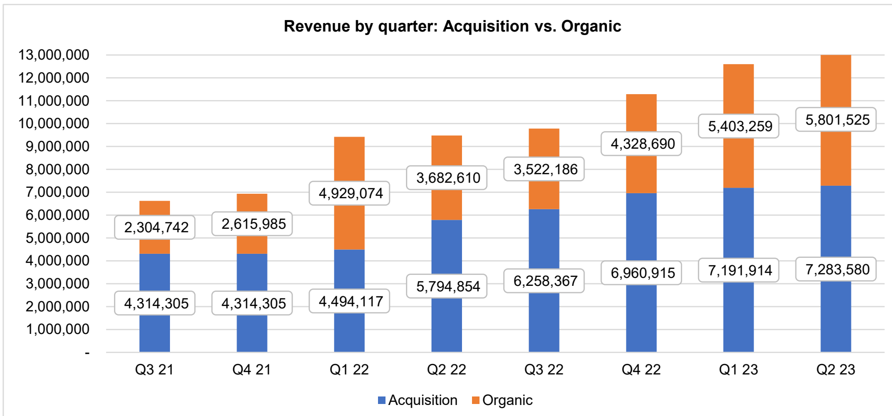
(2) Non-IFRS measure

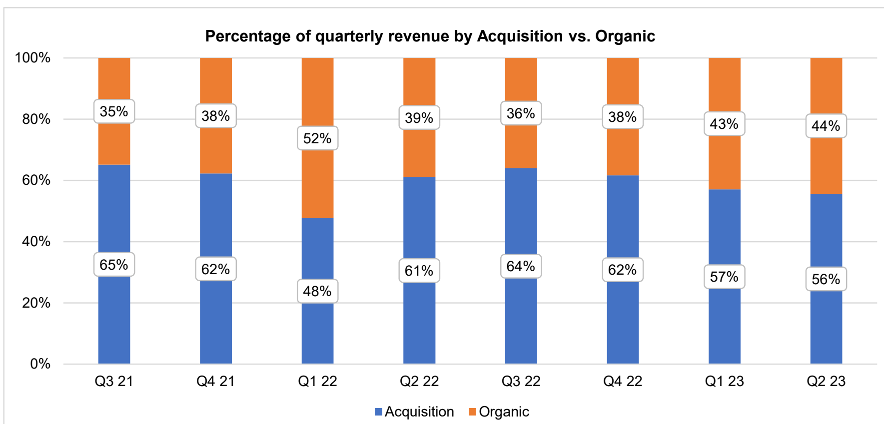
Acquisition and organic revenue

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		Six months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
	$	$	**$**	$
Net income	**621,451**	74,579	**783,619**	1,512,194
Add: Interest	**(17,893)**	125,723	**(36,011)**	138,622
Add: Depreciation and amortization	**1,254,841**	907,920	**2,480,278**	1,698,553
Add: Current and deferred tax expense	**121,065**	(84,536)	**739,325**	41,365
EBITDA	**1,979,464**	1,023,686	**3,967,211**	3,390,734

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		Six months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
	$	$	**$**	$
EBITDA	**1,979,464**	1,023,686	**3,967,211**	3,390,734
Add: Share and deferred-based compensation expense	**391,517**	314,540	**669,201**	583,784
Add: Business acquisition, restructuring and integration costs	**353,016**	528,337	**1,011,365**	943,064
Add: Loss on change in fair value of contingent consideration	**246,325**	0	**246,325**	0
Adjusted EBITDA	**2,970,322**	1,866,563	**5,894,102**	4,917,582