Management's Discussion & Analysis

For the three months ended March 31, 2024 and 2023

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 May 9, 2024 supplements, but does not form part of the unaudited interim condensed consolidated financial statements and notes of Vitalhub Corp. ("Vitalhub", or the "Company") for the three months ended March 31, 2024 and 2023.

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, Workforce Automation 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;
16. Coyote Software Corporation, a Canadian-based company that specializes in tailored software solutions that streamline the workflows of health and social service organizations, and;
17. BookWise Solutions Limited, a UK-based company that offers specialist scheduling software for healthcare and corporate organisations ranging from general room booking software to more specialist scheduling systems.

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 in the provisioning of Patient Flow, Operational Visibility, Patient Journey Optimization, Workforce Automation 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 primarily focuses on government funded healthcare systems in Canada and internationally in the UK, Australia, Qatar, UAE and Latvia.

First Quarter 2024 Highlights

- **Revenue of $15,256,791 as compared to $12,595,174 in the equivalent prior year period, an increase of $2,661,617 or 21%.**

  This increase was due to organic growth coupled with revenue derived from acquisitions completed during the first quarter of 2024 and the previous year.

- **Gross profit as a percentage of revenue was 81% compared to 80% 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 increase in Q1 2024 was primarily due to an increase in higher margin maintenance and support revenues in the quarter, coupled with an ongoing effort to manage costs and gain operating cost synergies.

- **ARR[1–2] at March 31, 2024 was $47,834,002 as compared to $39,634,517 at March 31, 2023, an increase of $8,199,485 or 21%, and as compared to $44,573,739 at December 31, 2023, an increase of $3,260,263 or 7%.**

  ARR[1–2] movement in Q1 2024 from Q1 2023 is attributable to the following:

  - Organic growth of $6,472,477 or 15% from Q1 2023;
  - Acquisition growth of $1,062,500 or 2% ;
  - Gain of $664,508 or 1% due to the increase in GBP rates relative to the CAD dollar in the quarter.

- **EBITDA[2] of $3,099,016 compared to $1,987,747 in the equivalent prior year period, an increase of $1,111,269 or 56%.**

- **Adjusted EBITDA[2] of $4,044,932 or 27% of revenue, compared to $2,923,780 or 23% of revenue in the equivalent prior year period, an increase of $1,121,152 or 38%.**

  The increase in EBITDA and adjusted EBITDA from Q1 2023 to Q1 2024 was primarily attributable to the higher recurring revenues of $12,465,062 in Q1 2024, as compared to $9,997,484 in Q1 2023, 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 $1,978,895 as compared to net income before income taxes of $780,428 in the equivalent prior year period, an increase of $1,198,467 or 165%.**

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

- **Cash on hand at March 31, 2024 was $33,315,264 compared to $33,480,018 as at December 31, 2023.**

  After paying approximately $5.3M on acquisitions in the three months ended March 31, 2024, 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 manage costs and gain operating cost synergies.

- **Cash from operations before changes in working capital was $2,917,700 as compared to $1,476,785 for the same period last year.**

- **Subsequent to the quarter, the Company closed a bought deal offering for total gross proceeds of approximately $40,254,000.**

  On April 9, 2024, the Company closed a bought deal public offering with a syndicate of investment dealers led by Cormark Securities Inc. (collectively, the "underwriters") pursuant to which the underwriters purchased 6,709,000 common shares (the "common shares") from the treasury of the Company, at a price of $6.00 per common share for total gross proceeds of approximately $40,254,000.

(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				
	March 31, 2024	% Revenue	March 31, 2023	% Revenue	Change
	$		$		%
Revenue	15,256,791	100%	12,595,174	100%	21%
Cost of sales	2,973,692	19%	2,471,877	20%	(20%)
Gross profit	12,283,099	81%	10,123,297	80%	21%
Operating expenses					
General and administrative	3,191,857	21%	3,611,092	29%	12%
Sales and marketing	1,696,464	11%	1,281,665	10%	(32%)
Research and development	3,418,122	22%	2,520,021	20%	(36%)
Depreciation of property and equipment	77,830	1%	75,283	1%	(3%)
Depreciation of right-of-use assets	106,762	1%	95,907	1%	(11%)
Share-based compensation	348,579	2%	277,684	2%	(26%)
Foreign currency gain	(68,276)	(0%)	(213,261)	(2%)	68%
Other income and expenses					
Amortization of intangible assets	1,106,542	7%	1,054,247	8%	(5%)
Business acquisition, restructuring and integration costs	583,334	4%	658,349	5%	11%
Loss on change in fair value of contingent consideration	14,003	0%	-	0%	(100%)
Interest expense and accretion (net of interest income)	(184,807)	(1%)	(38,987)	(0%)	374%
Interest expense from lease liabilities	13,794	0%	20,869	0%	34%
Current and deferred income taxes	660,429	4%	618,260	5%	(7%)
Net income	1,318,466	9%	162,168	1%	713%
EBITDA (Non-IFRS measure)	3,099,016	20%	1,987,747	16%	56%
Adjusted EBITDA (Non-IFRS measure)	4,044,932	27%	2,923,780	23%	38%
Annual recurring revenue (Non-IFRS measure)	47,834,002		39,634,517		21%
Term licences, maintenance and support revenue	12,465,062	82%	9,997,484	79%	25%

	As at	
	March 31, 2024	December 31, 2023
	$	$
Deferred revenue	25,383,782	21,049,975
Cash balance	33,315,264	33,480,018

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		
	March 31, 2024	March 31, 2023	**Change**
	$	$	**%**
Term licenses, maintenance and support	**12,465,062**	9,997,484	25%
Perpetual licenses	**121,771**	310,398	(61%)
Services, hardware and other	**2,669,958**	2,287,292	17%
Total Revenues	**15,256,791**	12,595,174	21%

Revenue for Q1 2024 was $15,256,791 as compared to $12,595,174 in Q1 2023, an increase of $2,661,617 or 21%.

The changes are explained by:

- **An increase of $2,467,578 or 25% in term licenses, maintenance and support revenue from Q1 2023 to Q1 2024.**

  The positive 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 first quarter of 2024 and the previous year.

  Term licenses, maintenance and support represent an important strategic source of revenue given its predictability and recurring nature and represented (82%) of revenues in Q1 2024 (Q1 2023 - 79%).

- **A decrease of $188,627 or (61%) in perpetual software licenses from Q1 2023 to Q1 2024.**

  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.

- **An increase of $382,666 or 17% in services, hardware and other revenue from Q1 2023 to Q1 2024.**

  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 new and ongoing customer projects.

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.

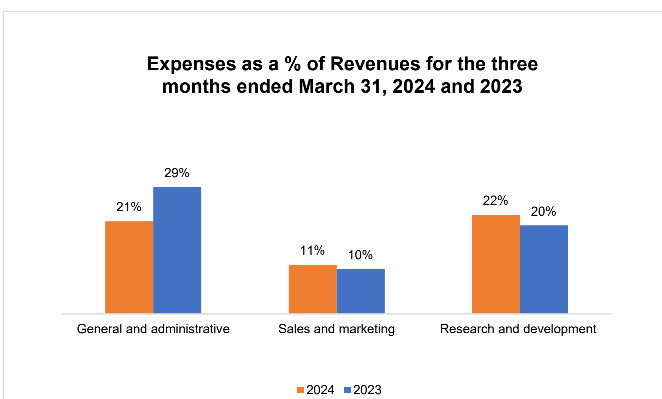
For Q1 2024, cost of sales was $2,973,692 or 19% of revenue, as compared to $2,471,877 or 20% of revenue for Q1 2023, an increase of $501,815 or 20%.

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 Q1 2024, was $12,283,099 or 81% of revenue, as compared to $10,123,297 or 80% of revenue for Q1 2023, an increase of $2,159,802 or 21%.

Gross profit as a percentage of revenue changes is 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 quarter and previous 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 Q1 2024, were $3,191,857 or 21% of revenue, as compared to $3,611,092 or 29% of revenue for Q1 2023, a decrease of 8 percentage points of revenue.

The decrease during the three months ended March 31, 2024 compared to the same period in the prior year was primarily attributable to realigned department allocations combined with operating cost synergies from integrating acquisitions.

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 Q1 2024, were $1,696,464 or 11% of revenue, as compared to $1,281,665 or 10% of revenue for Q1 2023, an increase of 1 percentage point of revenue.

The increase during the quarter in sales and marketing expenses as a percentage of revenue and in dollars is due to the additional resources we added 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 Q1 2024, were $3,418,122 or 22% of revenue, as compared to $2,520,021 or 20% of revenue for Q1 2023, an increase of 2 percentage points of revenue.

The increase was driven by increased costs from acquisitions completed in the quarter and previous year, in addition to realigned department allocations.

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 Q1 2024, was $1,291,134, as compared to $1,225,437 for Q1 2023, an increase of 5%.

The increase is attributable to the charges from acquisitions made since Q1 2023. 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 Q1 2024, was $348,579 as compared to $277,684 for Q1 2023, a increase of 26%. The increase in the quarter is due to the issuance of new share options to directors and employees.

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 Q1 2024, were $583,334, as compared to $658,349 for Q1 2023, a decrease of $75,015 or 11%.

These expenses were recognized in connection with the acquisitions completed in the first quarter of 2024 and 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 accretion on contingent consideration net of interest income.

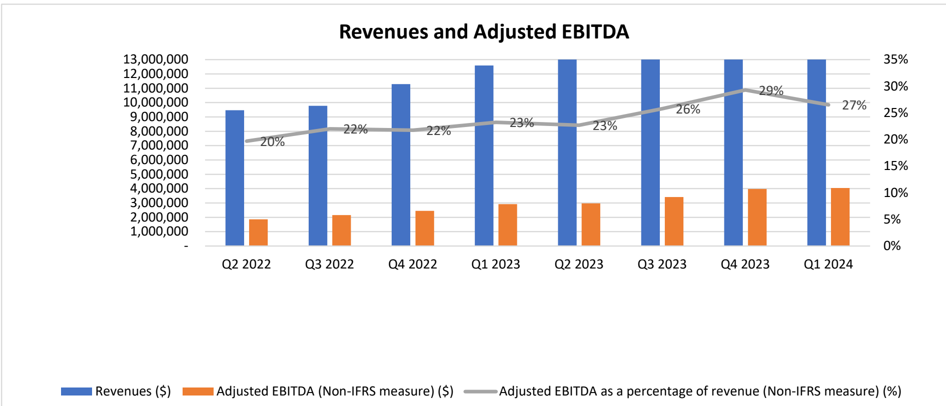
Interest income for Q1 2024 was $184,807 as compared to interest income of $38,987 for Q1 2023, an increase of $145,820.

The increase was attributable to the Company having more cash and cash equivalents on hand, resulting in higher interest earnings from short-term investments.

RESULTS OF OPERATIONS

The following table highlights selected financial information for the eight consecutive quarters ended March 31, 2024:

	Q2 2022	Q3 2022	Q4 2022	**Q1 2023**	Q2 2023	Q3 2023	Q4 2023	**Q1 2024**
Revenues ($)	9,477,464	9,780,553	11,289,606	**12,595,174**	13,085,441	13,224,264	13,603,419	**15,256,791**
Net income (loss) ($)	74,579	40,777	(338,331)	**162,168**	621,451	2,827,077	938,789	**1,318,466**
EBITDA (Non-IFRS measure) ($)	1,023,686	1,389,065	470,220	**1,987,747**	1,979,464	2,928,358	2,992,273	**3,099,016**
Adjusted EBITDA (Non-IFRS measure) ($)	1,866,563	2,151,753	2,455,377	**2,923,780**	2,970,322	3,411,871	3,985,553	**4,044,932**
Net income (loss) per share - basic and diluted ($)	0.00	0.00	(0.01)	**0.01**	0.02	0.07	0.03	**0.04**
Weighted average number of shares outstanding - basic	41,916,986	43,381,770	43,464,758	**43,617,864**	43,628,373	43,657,411	43,691,949	**43,854,629**
Weighted average number of shares outstanding - diluted	43,787,986	44,647,770	43,464,758	**44,685,367**	44,690,876	46,215,618	46,638,656	**45,017,991**



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 March 31, 2024, the Company had 43,979,080 (December 31, 2023 - 43,712,411) common shares issued and outstanding.

Deferred share units outstanding as at March 31, 2024 were 123,414 (December 31, 2023 - 123,414).

Share options outstanding as at March 31, 2024 were 3,791,037 (December 31, 2023 - 2,946,706) which entitle the holders to purchase one common share of the Company.

The number of exercisable share options as at March 31, 2024 was 2,297,015 (December 31, 2023 - 2,095,628).

FINANCIAL CONDITION

Liquidity and Capital Resources

As at March 31, 2024, the Company had $33,315,264 in cash and cash equivalents on hand, compared to $33,480,018 as at December 31, 2023.

After spending approximately $5.3M on acquisitions in the quarter, the Company has been able to maintain 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

	Three months ended		
	March 31, 2024	March 31, 2023	**Change**
	$	$	**$**
Net income	**1,318,466**	162,168	**1,156,298**
Items not affecting cash	**1,599,234**	1,314,617	**284,617**
Cash from operations before changes in working capital	**2,917,700**	1,476,785	**1,440,915**
Net change in non-cash working capital	**(857,269)**	470,557	**(1,327,826)**
Cash provided by operating activities	**2,060,431**	1,947,342	**113,089**

Cash provided by operating activities was $2,060,431 for the three months ended March 31, 2024, as compared to $1,947,342 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 continues to reduce costs of operations.

CASH USED IN INVESTING ACTIVITIES

	Three months ended		
	March 31, 2024	March 31, 2023	**Change**
	$	$	**$**
Cash used in investing activities	**(2,753,217)**	(1,966,220)	**(786,997)**

Cash used in investing activities relates primarily to the net cash portion of the acquisition completed during the quarter. The increase period over period was due to the cost of acquisition completed.

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

	Three months ended		
	March 31, 2024	March 31, 2023	**Change**
	$	$	**$**
Cash provided by (used in) financing activities	**554,414**	(120,864)	**675,278**

Cash provided by financing activities relates to principal payments on lease liabilities of $95,675, net of proceeds from exercise of options for $650,089.

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 2.50:1, from July 1, 2023 and thereafter.

ii) A Fixed Charge Coverage Ratio (calculated on a trailing 12-month basis that is) of not less than 1.20:1.

As at March 31, 2024, 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, 2023. 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	Q2 2022	Q3 2022	Q4 2022	**Q1 2023**	Q2 2023	Q3 2023	Q4 2023	**Q1 2024**
Opening balance ($)	24,015,090	31,219,508	30,967,215	**36,145,150**	39,634,517	41,008,702	42,612,166	**44,573,739**
Organic net of churn ($)	823,506	850,755	925,034	**1,462,767**	1,491,003	1,475,975	1,959,986	**1,545,513**
Organic net of churn (%)	3%	3%	3%	**4%**	4%	4%	5%	**3%**
Acquisition ($)	6,748,747	0	3,000,854	**1,100,000**	0	0	0	**1,062,500**
Acquisition (%)	28%	0%	10%	**3%**	0%	0%	0%	**2%**
Effect of foreign exchange (loss)	(367,835)	(1,103,048)	1,252,046	**926,600**	(116,818)	127,489	1,587	**652,250**
Effect of foreign exchange (loss)	(2%)	(4%)	4%	**3%**	(0%)	0%	0%	**1.5%**
Closing balance ($)	31,219,508	30,967,215	36,145,149	**39,634,517**	41,008,702	42,612,166	44,573,739	**47,834,002**

- **ARR(1–2) at March 31, 2024 was $47,834,002 as compared to $39,634,517 at March 31, 2023, an increase of $8,199,485 or 21%, and as compared to $44,573,739 at December 31, 2023, an increase of $3,260,263 or 7%.**

  ARR(1–2) movement in Q1 2024 from Q1 2023 is attributable to the following:

- Organic growth of $6,472,477 or 15% from Q1 2023;
- Acquisition growth of $1,062,500 or 2% ;
- Gain of $664,508 or 1% due to the increase in GBP rates relative to the CAD dollar in the quarter.

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

(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

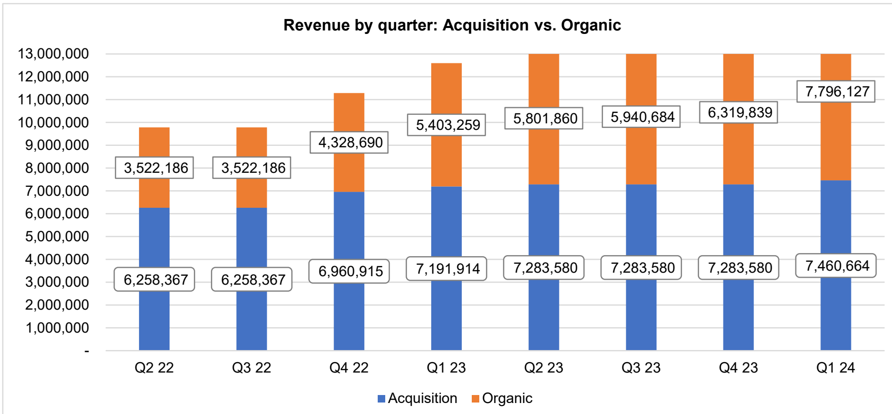
(2) Non-IFRS measure

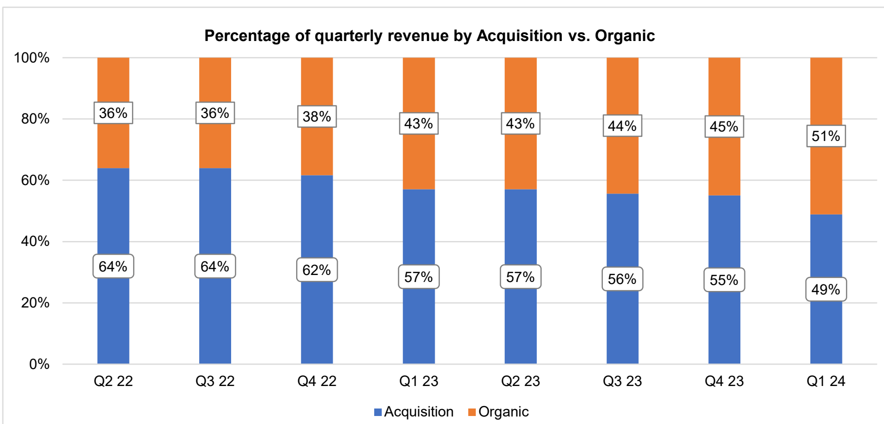
Acquisition and organic revenue

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	
	March 31, 2024	March 31, 2023
	$	$
Net income	**1,318,466**	162,168
Add: Interest	**(171,013)**	(18,118)
Add: Depreciation and amortization	**1,291,134**	1,225,437
Add: Current and deferred tax expense	**660,429**	618,260
EBITDA	**3,099,016**	1,987,747

Adjusted EBITDA

Adjusted EBITDA, defined as Earnings before Interest, Depreciation and amortization, Taxation, 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	
	March 31, 2024	March 31, 2023
	$	$
EBITDA	**3,099,016**	1,987,747
Add: Share and deferred-based compensation expense	**348,579**	277,684
Add: Business acquisition, restructuring and integration costs	**583,334**	658,349
Add: Loss on change in fair value of contingent consideration	**14,003**	0
Adjusted EBITDA	**4,044,932**	2,923,780