CLOUD DX

Cloud DX Inc.

Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2023 and 2022

BACKGROUND

This Interim MD&A for Cloud DX Inc. For the Three and Six Months Ended June 30, 2023 and 2022 provides detailed information on the operating activities, performance, and financial position of Cloud DX Inc. (the "Company" or "Cloud DX"). This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements as at and For the Three and Six Months Ended June 30, 2023 and 2022, its audited consolidated financial statements at December 31, 2022 and its Annual Information Form found on SEDAR www.sedar.com. The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") – see note 3 of the December 31, 2022 consolidated financial statements for further information. All dollar figures stated herein are expressed in Canadian dollars ($ or CAD), unless otherwise specified.

The date of this MD&A is **August 28, 2023**, the date on which it was approved by the Board of Directors.

This Interim MD&A contains forward-looking statements. See Forward-Looking Statements below for further information.

COMPANY OVERVIEW

Cloud DX is a Health Canada licensed, FDA registered medical device manufacturer and software developer that offers a complete "end-to-end" virtual healthcare platform called Cloud DX Connected Health. The Company has developed and cleared through regulatory agencies a family of proprietary medical devices, each of which collects multiple vital signs. Cloud DX customers purchase Connected Health to remotely monitor patients with a variety of conditions including serious chronic illnesses such as chronic obstructive pulmonary disease ("COPD") and congestive heart failure ("CHF"), as well as patients recovering from surgery and COVID-19 patients outside of hospitals. Connected Health has been validated for 12 different virtual care use cases. Typical Cloud DX customers include academic medical institutions, large hospitals and provincial health authorities in Canada, and physician practices and hospitals in the United States.

Cloud DX is focused on offering the best possible virtual care experience. By manufacturing proprietary vital sign devices, the Company can constantly improve the patient user experience (UX), making virtual care more engaging for those who need it most. By collecting unique and accurate remote data, clinicians have more information to use in therapeutic decision making, while streamlining workflow with automated monitoring. Using advanced data science techniques, patterns are identified in patient generated data that indicate the probability of poorer health outcomes, enabling rapid intervention and saving lives. By managing the full patient-to-provider experience, costs can be reduced with improved ROI for healthcare payers including Canadian health ministries, US Medicare and private insurance providers.

Principal Products and Services

Cloud DX Connected Health Kits typically include our proprietary Cloud DX Bluetooth pulse oximeter, the Cloud DX wireless weight scale and optionally, a wireless Bluetooth blood pressure monitor, digital thermometer, and digital wireless glucose meter from 3rd party suppliers. These devices, combined with customized tablet computers and mobile Connected Health apps, form the 'patient-facing' part of Connected Health. Substitutions to some medical devices (e.g., 'bring your own device') can be made should customers so choose. A secure online Clinician Portal allows medical professionals to remotely monitor the health of patients. Clinical support software detects when certain triggers are reached (for example, a drop in oxygen saturation) and generates a notification to providers. Nurses can then contact the patient by secure in-app text messaging and initiate a telemedicine video conference to intervene to improve outcomes, all within the Cloud DX platform. Cloud DX records raw bio-signals, vital sign metrics, survey answers, provider notes, images and documents in HIPAA-compliant Microsoft Azure datacenters in Canada and the USA. All patient data remains within the borders of its country of origin to comply with privacy regulations. These discrete data points are aggregated into large sets of unique raw data that can be analyzed using machine learning algorithms to detect patterns that may predict future health outcomes, both on a personal level and in larger populations.

Connected Health has been shown to improve patient outcomes for patients with COPD ("*Technology-Enabled Self-Management of Chronic Obstructive Pulmonary Disease With or Without Asynchronous Remote Monitoring: Randomized Controlled Trial*", JMIR, July 2020) and patients recovering from surgery ("*Post-discharge after surgery Virtual Care with Remote Automated Monitoring-1 (PVC-RAM-1) technology versus standard care: randomised controlled trial*" BJM, Sept 2021). Patients report feeling empowered by knowing their vital sign status, and by having the ability to connect with providers to ask questions. Cloud DX devices and software can detect changes in vital signs and symptoms early, allowing clinicians to intervene quickly and prevent more serious deteriorations that might require hospitalization, or in some cases might be fatal.

Market

According to government statistics, in Canada 5+ million people over 35 suffer from COPD, CHF or their precursors ("*https://health-infobase.canada.ca/datalab/copd-blog.html*" and "*https://www.canada.ca/en/public-health/services/publications/diseases-conditions-heartdisease-canada-fact-sheet.html"*). Meanwhile, 70+ million Americans over the age of 65 qualify for reimbursed remote patient monitoring (RPM) and chronic care management (CCM) paid for by US Medicare "CPT Codes" (*CMS.gov*). Cloud DX Connected Health solutions are reimbursed to the provider in the US by Medicare billing codes CPT 99453 and CPT 99454. These billing codes pay Medicare physicians approx. US$150.00 per patient per month.

Offices

The Company's head office is 100-72 Victoria Street South, Kitchener, Ontario, N2G 4Y9 with its US headquarters at 824-20 Jay Street, Brooklyn, New York, 11201.

Key Highlights and Recent Developments

2023 Highlights

From January 1, 2023 to June 30, 2023, the following developments occurred:

Cloud DX delivered strong sales growth in the first quarter of 2023, as new clients signed commercial agreements and existing clients extended their contracts and/or expanded their RPM programs. The Company also announced new IP protections and completed the first tranche of a $5,500,000 CAD private placement.

SALES: The Company executed **17 commercial contracts** or contract extensions to June 30th, 2023, compared to 28 agreements announced during FY2022. In particular:

- 3 new contracts were announced for remote patient monitoring (RPM) products and services with Canadian hospitals, including 2 agreements negotiated as part of our partnership with Medtronic Canada. One hospital customer is the largest Cardiac Centre in Canada.

- We announced 2 contract extensions with our long-running Provincial Health Department customers. Provincial deployments of remote patient monitoring grow by the addition of new use cases and new locations providing RPM within the Province.

- Cloud DX continues to succeed in the Paramedic Long Term Care sector in Ontario, signing 7 agreements with Paramedic services across the province. 4 of these contracts were extensions and increases executed by existing customers, reflecting both increased demand for remote monitoring services and the high satisfaction levels of our customers.

- 4 new agreements were announced with 2 Family Health Teams (FHTs) in Ontario, for use cases that include Diabetes Management and Palliative Care. The fact that each customer expanded their program within weeks of enrolling the first patients demonstrates the positive impact of Cloud DX technology for these use cases.

- The Company has recently focused on a specific vertical market segment in the United States – Concierge Medicine providers. These primary care clinics deliver best-in-class care to a smaller group of patients, all of whom pay an annual fee for additional services and preferred access. There are over 5,000 Concierge practices identified in the US. In Q1 we announced the first contract with a Concierge Medicine practice in this segment, based in Chicago IL.

- On June 21, 2023, the Company announced they had won a competitive RFP from Mohawk Medbuy, the leading Canadian hospital procurement agency which represents over 100 member hospitals and Provincial Health Departments. The initial contract runs from July 1, 2023 to June 30, 2026 with option for a further 2 extensions of 2 years each, to June 30, 2030. The total estimated awarded contract valuation for the full term of the agreement including option periods is $3,040,000 CAD. This is the 17th contract or extension announced by the Company in 2023 versus 28 contracts announced in all of 2022, showing that the demand for RPM continues to increase across the Canadian healthcare landscape.

PATENTS: The Company announced new patents on 2 of its innovations in the field of digital bio-signal analysis using machine learning and deep learning algorithms.

- The US patent granted on March 27th, 2023, describes Cloud DX software's ability to detect and interpret high-frequency bio-signals to determine medication ingestion, and predict adherence to medication prescriptions, adverse medication interactions, and medication efficacy using Generative AI models.

- Meanwhile, the new Canadian patent granted on March 23rd, 2023, describes Cloud DX software's ability to collate and display myriad health metrics including vital signs, medical images, physician notes, medications, behavioral cues etc. in a hand-free, heads up augmented reality user interface as initially described in this Cloud XR 'medical metaverse' news release from 2022. Cloud XR technology is also protected by US patent 10,642,046.

Product Development Pipeline

The Company has several products, protected by granted and pending patents, at various stages of development for future roll out, including:

- Pulsewave PAD 2A wrist cuff health monitor
- Vitaliti™ continuous vital sign monitor
- AcuScreen Cough Analysis smartphone app and artificial intelligence platform
- Cloud XR "eXtended Reality" Division and Virtual Medical Assistant™ user interface (UI)

Pulsewave PAD 2A Health Monitor

This is the next generation version of Cloud DX's Pulsewave device which will be the first device of its kind to accurately measure respiration rate as well as blood pressure and heart rate. The PAD-2A has entered clinical calibration and validation trials at Dalhousie Medicine New Brunswick in Saint John NB, and the Company looks forward to completing the requisite Health Canada and FDA approvals when the trials are complete. The Company invested approximately $3.5M from August 2020 to July 2022 to complete the PAD-2A calibration project with a $1.7M financial co-investment from the Next Generation Manufacturing Supercluster ("NGEN").

This unique device and its associated software platform will replace the original Pulsewave PAD-1A blood pressure monitor and provide advanced spot telemetry including precision clinical blood pressure, cardiac anomalies and respiration rate metrics for use in remote patient monitoring deployments, telemedicine and in-clinic for advanced cardiac analysis based on a single easy reading. These innovations are protected by US patents 11,006,843 and 11,272,859, with additional US, Canadian & international patents pending.

Vitaliti™ continuous vital sign monitor (CVSM)

The Vitaliti™ CVSM platform is Cloud DX's award winning continuous vital sign monitoring product. The next iteration of Vitaliti™ hardware is undergoing a step change towards affordability (previous bill of materials was >$1,000; revised bill of materials is ~$100) and has been selected by the Population Health Research Institute (PHRI) at McMaster University as the device for several large studies that will provide necessary data for Health Canada and FDA approvals. According to current timetables, these studies will commence in Q2-2022. Prototype devices will attract a fee for use during the PHRI studies. Moreover, there are several other projects that are funding the Company's efforts to bring Vitaliti to commercialization. Vitaliti is protected by US patents 10,893,837 and 10,022,053, as well as 3 pending US patents.

AcuScreen™ Cough Analysis (CA) platform

AcuScreen™ CA is a mobile application and machine-learning model that can detect the presence of certain respiratory diseases using a patient's cough signature. This remarkable application is currently undergoing clinical testing in Maputo, Mozambique to determine its accuracy in the screening and detection of active tuberculosis (TB). On November 3rd, 2021, the Company announced that preliminary results from those tests had recently been presented at the 52nd Annual Union World Conference on Lung Health. The principal investigator in the study, Dr Celso Khosa of the Instituto Nacional de Saúde (INS) in Maputo stated that "*data shows that AcuScreen acoustic cough analysis and symptom detection exceeds the World Health Organization requirements for a community-based triage system for tuberculosis*". These findings clear the way for the Company to begin discussions with various parties to license AcuScreen for eventual deployment as a primary screening tool for TB in high-burden countries. AcuScreen is protected by US patents 9,526,458 and 10,485,449, under an exclusive, global license to Cloud DX from Speech Technology and Applied Research Corporation of Bedford MA.

Cloud XR "eXtended Reality" Division and products

On February 3rd, 2022, Cloud DX announced a new eXtended Reality (XR) division to launch 3D holographic bedside applications for hospitals. Cloud XR's Virtual Clinician Assistant™ software offers healthcare teams an immersive real-time 3D holographic clinical experience. This ground-breaking solution combines the patented, award-winning VITALITI™ vital sign monitor with Microsoft's Hololens 2 or Apple's ARKit. The development of the Virtual Clinical Assistant application along with additional integration to hospital record systems is supported by a total of $220,000 CAD in non-dilutive R&D funding from Ontario Centre for Innovation (OCI) and NSERC to date. The Virtual Clinician Assistant is protected by US patent 10,642,046 and further pending US and international patents.

Non-IFRS Measures

The Company prepares its Annual Financial Statements in accordance with IFRS. However, the Company considers certain non-IFRS financial measures as useful additional information to assess its financial performance. These measures, which it believes are widely used by investors, securities analysts and other interested parties to evaluate its performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "EBITDA".

EBITDA

Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") is a non-IFRS measure of financial performance. The presentation of this non-IFRS financial measure is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with IFRS, and may be different from non-IFRS financial measures used by other companies. Company management defines EBITDA as follows: IFRS Net income (loss) adding back accretion and interest expenses (including amortization of deferred financing fees), income taxes and amortization.

Management believes EBITDA is a useful financial metric to assess its operating performance on a cash basis before the impact of non-cash items.

Forward Looking Information

This MD&A contains certain forward-looking statements and forward-looking information as defined under applicable Canadian securities laws. Forward-looking statements in this MD&A include but are not limited to:

- currency fluctuations;
- requirements for additional capital;
- government regulation;
- environmental risks;
- disputes or claims;
- the funds available to the Company and the use of such funds;
- the ability of the Company to operate as a going concern;
- the healthcare industry in Canada and the United States;
- the Company's goals, objectives and growth strategies;
- improving the patient experience;
- operational efficiency and overall care performance;
- the intention to be an active acquirer within the healthcare services and digital health marketplaces;
- management's beliefs, plans, estimates, and intentions; and
- anticipated future events, results, circumstances, performance or expectations that are not historical facts.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. 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. Such risks and uncertainties include, among others; the actual results of current activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, failure of equipment or processes to operate as anticipated, accidents, delays in obtaining government approvals or financing, risks relating to the integration of acquisitions and to international operations. While 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 and should specifically consider various factors, including but not limited to the risk outlined under the heading "Risk Factors" in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements. Any forward-looking statements represent our estimates only as of the date of the MD&A and should not be relied upon as representing our estimates as of any subsequent date. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

Selected Consolidated Financial Information

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
	$	$	$	$
Revenue	378,367	242,225	946,373	579,489
Cost of sales	(76,787)	(120,798)	(255,868)	(320,984)
Gross profit	301,580	121,427	690,505	258,505
Gross profit margin	79.7%	50.1%	73.0%	44.6%
Operating expenses net of depreciation, amortization and share based compensation	(1,923,381)	(2,535,141)	(4,396,593)	(4,778,863)
Foreign currency translation gain/(loss)	(1,726)	(1,572)	(1,907)	(1,461)
Share based compensation	-	-	-	-
Government funding and grant income	84,413	310,962	165,300	395,953
Fair value loss	-	-	-	-
Gain on marketable securities	-	-	-	-
Loss on extinguishment of notes payable	-	-	-	-
Transaction fees and listing expenses	(3,400)	(1,648)	(5,580)	(7,368)
EBITDA	(1,542,514)	(2,105,972)	(3,548,275)	(4,133,234)
Depreciation & amortization	(125,824)	(122,660)	(252,162)	(244,786)
Interest Expense	(628,920)	(59,655)	(1,198,501)	(115,297)
Income taxes	-	-	-	-
Net loss	(2,297,260)	(2,288,287)	(4,998,941)	(4,493,317)
Other comprehensive income/(loss)	(4,183)	-	36,242	-
Comprehensive loss	(2,301,441)	(2,288,287)	(4,962,699)	(4,493,317)
Basic and diluted loss per share	(0.03)	(0.03)	(0.06)	(0.06)

Revenue and Gross Profit

For the Three Months Ended June 30, 2023 and 2022, overall revenue was higher by $136,142 or 56.2% due to a considerable increase in subscription and professional and other revenue. Subscription revenue increased by $98,964 or 88.5% due to new contracts realizing new sales from Southlake Regional Health, Oneida Nation Paramedic Service and STARs Air Ambulance. Product sales were lower by $578 or 0.6% period over period as previously deferred Simcoe Kit Revenue and Oneida Paramedic Services was recognized, which were signed contracts in the first quarter of 2023. Additional sales were realized from existing customers such as Alberta Health Services.

Professional and other income were greater by $37,755 or 139.1% thanks to more projects which the Company participated in in the second quarter of 2023. These included STARs Air Ambulance and to a lesser extent Southlake Regional Health Centre. Typically, Professional Services revenue fluctuates from period to period based on the duration of contracts for those services.

The higher proportion of Product revenue sales in the Revenue mix, which generates a higher margin, combined, saw an overall increase of 29.6% in gross margin from 50.1% to 79.7% period over period. Typically, gross margin for Connected Health products and services fluctuates based on the mix of Products (hardware) vs Services (subscriptions and/or Professional Services, higher margin) and the cost the company can obtain the parts that make up product sales recorded in each period. Furthermore, there was a change in accounting policy, which resulted in a material portion of direct operating expenses being reallocated from cost of sales to operating expenses in the second quarter of 2023. Hence the reason for the material increase in gross margin.

	Three Months Ended June 30,			
	2023	2022	Change	
	$	$	$	%
Subscription Revenue	210,739	111,775	98,964	88.5
Product Revenue	102,724	103,302	(578)	(0.6)
Professional and Other Revenue	64,904	27,149	37,755	139.1
Total Revenue	**378,367**	**242,225**	**136,142**	**56.2**
Cost of Goods Sold	(76,787)	(120,798)	44,011	(36.4)
Gross Profit	301,580	121,427	180,153	148.4
Gross Profit %	79.7%	50.1%		29.6

For the Six Months Ended June 30, 2023 and 2022, overall revenue was higher by $366,884 or 63.3% due to a significant increase in subscription revenue. Subscription revenue rose by $229,926 or 115.8% due to new contracts realizing new sales from Guelph Paramedic Services, Peterborough County Southlake Regional Health, Oneida Nation Paramedic Service and STARs Air Ambulance. Product sales were higher by $89,121 or 27.0% period over period as Connected Health Kits were shipped to new customers such as Essex, Oxford County and Peterborough County who signed contracts in 2022. Additional sales were realized from existing customers such as Hamilton Health Sciences and Yukon Health & Social Services, as well as new customers such as Simcoe Paramedics and Oneida Paramedic Services.

Professional and other income were higher by $47,838 or 94.9% owing to more projects which the Company participated in in the first half of 2023. Typically, Professional Services revenue fluctuates from period to period based on the duration of contracts for those services. The bulk of revenue came from St Mary's General Hospital, Ottawa Heart and STARs Air Ambulance.

The bigger percentage of Product revenue sales in the Revenue mix, which attract a higher margin, combined, attributed to an overall increase of 28.4% in gross margin from 44.6% to 73.0% period over period. Typically, gross margin for Connected Health products and services fluctuates based on the mix of Products (hardware) vs Services (subscriptions and/or Professional Services, higher margin) and the cost the company can obtain the parts that make up product sales recorded in each period. In addition, there was a change in accounting policy, which resulted in a material portion of direct operating expenses being reallocated from cost of sales to operating expenses in March 2023. Hence the reason for the material increase in gross margin.

	Six Months Ended June 30,			
	2023	2022	Change	
	$	$	$	%
Subscription Revenue	428,408	198,482	229,926	115.8
Product Revenue	419,743	330,622	89,121	27.0
Professional and Other Revenue	98,222	50,384	47,838	94.9
Total Revenue	**946,373**	**579,489**	**366,884**	**63.3**
Cost of Goods Sold	(255,868)	(320,984)	65,116	(20.3)
Gross Profit	690,505	258,505	432,000	167.1
Gross Profit %	73.0%	44.61%		28.4

Operating Expenses

Operating expenses are considered by nature with the largest categories being salaries & wages, professional fees, sales, general & administrative, office, research & development, amortization & depreciation and share based compensation.

	Three Months Ended June 30,			
	2023	2022	Change	
	$	$	$	%
Salaries & wages	1,325,791	1,561,801	(236,010)	(15.1)
Professional fees	197,975	589,735	(391,760)	(66.4)
Sales, general & administrative	218,245	212,463	5,782	2.7
Office	116,945	53,911	63,034	116.9
Research & development	64,426	117,229	(52,803)	(45.0)
Amortization & depreciation	125,825	122,660	3,164	2.6
	2,049,207	**2,657,799**	**(608,594)**	**(22.9)**

Operating expenses were lower by $608,594 or 22.9% for the three-month period ended June 30, 2023, primarily brought upon by the Company's continual focus to cut spending around professional fees, research & development. However the Company incurred higher outlays for office and sales, general & administrative.

Salaries and wages decreased by $236,010 or 15.1% during the current period, as a result of the Company embarking on a rightsizing of its business overheads and wages. Professional fees, paying consultants for support around corporate initiatives and year-end audit, were materially less by $391,760 compared to the same period in 2022.

Sales, General & Administrative costs were marginally up by $5,782 or 2.7% due to minor cost increases associated with the Company's IT subscriptions to service patient customers, insurance premiums, and general and administrative costs with servicing customers.

Office expenses were up by $63,034 or 116.9% due to general office and rental costs increasing compared to the prior year, which is due to a change in accounting policy resulting in data and hosting expenses of $83,930 (2022: $ 66,471) that were included in cost of inventories in 2022. Research and development costs were $52,804 or 45.0% lower, which was due in part to the Company incurring less in grant costs – as grant funding was substantially less for the June 2023 quarter at 84,413 (310,962 in June 2022). Amortization and depreciation were higher by 2.6% or $3,164 compared to the same period in 2022 thanks to slightly higher net asset values of the Company's tangible assets in 2023.

	Six Months Ended June 30,			
	2023	2022	Change	
	$	$	$	%
Salaries & wages	3,000,366	2,938,940	62,426	2.1
Professional fees	534,823	1,031,152	(496,329)	(48.1)
Sales, general & administrative	517,715	458,959	58,756	12.8
Office	260,596	150,094	110,502	73.6
Research & development	83,093	199,600	(116,507)	(58.4)
Amortization & depreciation	252,162	244,786	7,376	3.0
	4,648,755	**5,023,531**	**(374,776)**	**(7.5)**

Operating expenses were lower by $374,776 or 7.5% for the six-month period ended June 30, 2023, largely caused by the Company's cost cutting around professional fees and, research & development, which were partly countered by the higher outlays for salaries & wages, office and sales, general & administrative.

Salaries and wages increased by $62,426 or 2.1% during the current period, due to wage increases to existing staff, and higher wages being offered to new employees relative to previous employees. However, the Company has embarked on a rightsizing of its wage spend in April and anticipates realizing cost savings going forward. Professional fees, paying consultants for support around corporate initiatives and year-end audit, were lower by $496,329 compared to the same period in 2022.

Sales, General & Administrative costs were marginally up by $58,756 or 12.8% owing to slight cost increases connected with the Company's IT subscriptions to service patient customers, insurance premiums, and general and administrative costs with servicing customers.

Office expenses were up by $110,502 or 73.6% owing to general office and rental costs increasing slightly compared to the prior year. Office and data expenses were higher mainly due to data and hosting expenses of $132,709 (2022: $117,880) that were included in cost of inventories in 2022. Research and development costs were $116,507 or 58.4% lower, which was due somewhat to the Company incurring less in grant costs – as grant funding was significantly less for the six months ended June 2023 at 165,300 (395,953 in June 2022). Amortization and depreciation were higher by 3.0% or $7,376 compared to the same period in 2022 because of marginally higher net asset values of the Company's tangible assets in 2023.

Other Income and Expenses

	Three Months Ended June 30,			
	2023	2022	Change	
	$	$	$	%
Fair value loss	-	-	-	NMF
Foreign exchange gain/(loss)	(1,726)	(1,572)	(154)	9.8
Interest Expense	(628,920)	(59,655)	(569,265)	954.3
Government funding and grant income	84,413	310,962	(226,549)	(72.9)
Transaction fees and listing expenses	(3,400)	(1,648)	(1,752)	(106.3)
Other income/(expenses)	-	-	-	NMF
	(549,633)	**248,087**	**(797,720)**	**(321.5)**

Other expenses increased by $797,720 or 321.5% for the three months ended June 30, 2023. Interest expenses were $569,265 or 954.3% higher than in the same period in 2022 due to the Company's increased portion of convertible debt, which has been raised since June 30, 2022.

Furthermore, the Company earned $226,549 or 72.9% less in government fund income as compared to the June 2022 quarter.

	Six Months Ended June 30,			
	2023	2022	Change	
	$	$	$	%
Fair value loss	-	-	-	NMF
Foreign exchange gain/(loss)	(1,907)	(1,461)	(446)	30.5
Interest Expense	(1,198,501)	(115,297)	(1,083,204)	939.5
Government funding and grant income	165,300	395,953	(230,653)	(58.3)
Transaction fees and listing expenses	(5,580)	(7,368)	(1,788)	(24.3)
Other income/(expenses)	-	-	-	NMF
	(1,040,687)	**271,828**	**(1,312,514)**	**(482.8)**

Other expenses were $1,312,514 higher or 482.8% for the six months ended June 30, 2023. Interest expenses were $1,083,204 or 939.5% higher than in the same period in 2022 owing to the Company's increased amount of convertible debt raised since June 30, 2022 to fund growth.

Additionally, the Company earned $230,653 or 58.3% less in government fund income as compared to the June 2022 quarter.

Statement of Financial Position

	As at			
	June 30, 2023	December 31, 2022	Change	
	$	$	$	%
Total assets	2,077,197	2,306,505	(229,308)	(9.9)
Total liabilities	16,084,830	13,953,212	2,131,618	15.3
Shareholders' equity (deficiency)	(14,007,633)	(11,646,707)	(2,360,926)	20.3
Total liabilities and shareholders' equity (deficiency)	2,077,197	2,306,505	(229,308)	(9.9)

Total Assets

As of June 30, 2023, total assets were lower by 9.9% or $229,308 due to the Company's reduced cash position and further reductions in the carry amounts of fixed assets so far in 2023. Cash decreased by $155,209 or 223%, while trade receivables was $17,689 or 9.8% lower. Inventory decreased by $14,727 or 8.0% due to higher product sales, which was largely due to the acquisition of new customer contracts.

There was a purchase of intellectual property for $235,544, and $31,764 and $151,450 decreases to property, plant and equipment and the right of use asset respectively resulted in the overall non-current asset value decreasing by $34,702 over the six months.

Total Liabilities

Meanwhile, total liabilities as of June 30, 2023, increased by $2,138,116 or 15.3% as compared to 2022-year end. A $1,439,954 increase in accounts payable was the primary driver of this increase in total liabilities, which were outstanding amounts owing to suppliers that directly impact services to clients. Deferred income decreased by $106,376 or 29.2% due to the revenue recognition treatment of current period sales, which couldn't be recognized as income for 2022. Convertible debt increased by $1,014,511.

Lastly, these increases were partially countered by a $314,056 decrease to related party loans and advances from related parties, which were converted to equity. Total lease liabilities for the Company dropped by $168,190.

Liquidity and Capital Resources

The table below sets out the Company's cash, restricted cash and working capital as of June 30, 2023, and December 31, 2022.

	June 30, 2023	December 31, 2022
	$	$
Cash	(85,673)	69,536
Restricted Cash	60,060	60,060
Working Capital	(10,921,082)	(7,062,806)
Current Assets	420,012	614,618
Current Liabilities	11,341,094	7,677,424
Working Capital	(10,921,082)	(7,062,806)

The Company had $60,060 of restricted cash held as collateral against a corporate credit card program. The funds are invested in a cashable Guaranteed Investment Certificate account which matured on May 2, 2023 and rolled over for another 12 months. Working capital represents the excess of current assets over current liabilities. Cash and the working capital deficit remained steady and in fact decreased. The operating cashflow deficit was $2,460,866 and was partly offset by the positive financing cashflow of $2,542,489. The Company realized a decrease of $155,205 in overall cash for the year.

The table below sets forth the cash flows for the six months ended June 30, 2023, and 2022:

	Six Months Ended June 30,			
	2023	2022	Change	
	$	$	$	%
Cash from (used) in				
Operating activities	(2,685,866)	(2,302,183)	(383,683)	16.7%
Investing activities	(236,828)	236,034	(472,862)	(200.3%)
Financing activities	2,767,489	2,006,708	760,781	37.9%
Increase (decrease) in cash	**(155,205)**	**(59,441)**	**(95,764)**	**161.1%**

The Company may be adversely impacted by uncertain market conditions and adverse results from operations. The Company may face challenges due to such factors as the loss of a major customer contract, entry of new competitors or significant changes in healthcare regulations. Should expected revenue growth not materialize, the Company will be required to seek additional financing through the sale of equity securities and/or through debt.

Cash

The Company's cash used in operating and investing activities during the six months ended June 2023 resulted in a $155,205 deficit. This was mainly owing to the Company's negative operating cashflow of $2,685,866 as the Company continued to fund sales expansion and service customers. The deficit was countered by the Company's ongoing financing activities of $2,767,489 from its capital raising initiatives in 2023.

Off Balance Sheet Arrangements and Contractual Obligations

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

The Company leases real property for its office locations. Two leases are included in the right of use asset and lease obligations for the Kitchener, Ontario and Brooklyn, New York offices as of June 30, 2023. Other contractual operational commitments are limited to 12 months.

	Contractual payments due			
	Total	Less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	$ 4,698,850	$ 4,698,850	$ -	$ -
Lease liabilities	901,515	320,683	473,756	107,076
Advances from related parties	135,683	135,683	-	-
Loans from related parties	1,194,474	1,194,474	-	-
Loan payable	500,000	99,996	299,988	100,016
Convertible debt principal	8,525,000	3,806,408	4,718,592	-
Convertible debt interest payments	2,284,952	2,129,402	155,550	-
Total	**18,240,474**	**12,385,496**	**5,647,886**	**207,092**

Issued and Outstanding Share Capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares of which the following common shares are issued and outstanding:

	As at	
	June 30, 2023	December 31, 2022
Common Shares	90,689,274	72,094,396
Total Shares issued and outstanding	90,689,274	72,094,396

Additionally, the Company has issued the following securities:

	As at	
	June 30, 2023	December 31, 2022
Options	4,979,316	4,979,316
Warrants	53,322,859	14,350,248
Total Diluted Shares	150,784,304	91,423,960

For additional information on issued and outstanding share capital please refer to notes 5, 12, 13 and 17 of the audited consolidated financial statements for the year ended December 31, 2022.

Options and warrants

For the six months ended June 30, 2023, the Company closed the first tranche of the private placement (the "Private Placement") of units of the Corporation (the "Units") for aggregate gross proceeds of $2,601,884. Investors subscribed for 18,584,878 Units at a price of $0.14 per Unit for aggregate gross proceeds of $2,601,884. Each Unit comprised one Common Share and one Warrant. The Units will be subject to a four-month hold period. Each Warrant entitles the holder thereof to purchase one additional Common Share at a price of $0.21 per Common Share for a period of three years following the issuance of such Warrant.

As of June 30, 2023, the Company had 4,979,916 (3,006,969 in 2022) stock options and 53,322,859 (14,350,248 in 2022) warrants outstanding.

Related Party Transactions

The Company's related parties are comprised of current or former members of the board and executive team of the Company. Further details on these obligations may be found in the unaudited condensed interim Consolidated Financial Statements For the Three and Six Months Ended June 30, 2023 and 2022.

During the three and six months ended June 30, 2023, the Company recorded expenses associated with consulting fees and wages to individuals and/or entities controlled by officers or directors of the Company as follows:

	Three Months Ended June 30,			
	2023	2022	Change	
	$	$	$	%
Contractor expenses for services	25,500	47,781	(22,281)	(46.6%)
Wages	145,049	106,861	38,188	35.7%
Directors' fees	24,000	18,000	6,000	33.3%
	194,549	172,642	21,907	3.0%

	Six Months Ended June 30,			
	2023	2022	Change	
	$	$	$	%
Contractor expenses for services	51,000	89,000	(38,000)	(42.7%)
Wages	302,839	198,520	104,319	52.5%
Directors' fees	33,000	36,000	(3,000)	(8.3%)
	386,839	323,553	40,130	11.6%

Subsequent events

- On July 11, 2023. The Company announced its intention to complete a non-brokered private placement offering of up to 4,000 secured convertible debentures of the Company (the "Convertible Debentures") at a price of $1,000 per Convertible Debenture for aggregate gross proceeds of up to $4.0 million (the "Offering").

  The Convertible Debentures will mature on the date that is 36 months from the date of issuance thereof (the "Maturity Date") and shall bear interest at a rate of 18.0% per annum, payable upon the earlier of the conversion date or the Maturity Date. The principal amount of the Convertible Debentures will be convertible into units of the Company (the "Units"), at the election of the holder of the Convertible Debentures, at any time prior to the Maturity Date, at a conversion price of C$0.10. Each Unit shall be comprised of one Common Share and one common share purchase warrant (the

"Warrants"). Each Warrant will entitle the holder thereof to purchase one additional Common Share at a price of $0.15 per Common Share for a period of 36 months following the closing date of the Offering. The Warrants will be subject to an accelerated expiry provision that allows the Company to accelerate the expiry date of the Warrants to 15-days from delivery of such notice, in the event that the closing price of the Common Shares listed on the TSXV is greater than $0.30 for twenty (20) consecutive trading days.

- On July 11, 2023. The Company announced St Mary's General Hospital (SMGH) in Kitchener Ontario is increasing their deployment of Connected Health remote patient monitoring products and services provided by Cloud DX.

  This new contract for Connected Health Kits and remote care monitoring services will help St. Mary's support up to 500 new patients annually and is valued at approximately $1,700,000 CAD over the full extended contract. The contract allows support of current programs as well as the potential to expand or offer new remote care monitoring programs in the future. This contract is expected to fall within the $3,000,000 CAD award announced by Mohawk Medbuy for the first 2 Cloud DX contracts.

- On July 10, 2023, the Company raised further $252,400 of gross proceeds in additional share capital of 1,802,855 Units at a price of $0.14 from the second tranche of the Private Placement. Total aggregate gross proceeds under the Private Placement (including the first tranche) were $2,854,284. Each Unit comprised one Common Share and one Warrant. The Units will be subject to a four-month hold period. Each Warrant entitles the holder thereof to purchase one additional Common Share at a price of $0.21 per Common Share for a period of three years following the issuance of such Warrant.

- On July 20, 2023. The Company announced it has received a large expansion order for Connected Health™ Remote Patient Monitoring (RPM) products and services with Ontario Heart Centre.

  The program expects to monitor up to 500 patients in a full year with expected overall revenue of approximately $90,000 CAD. Importantly, this new RPM deployment is replacing the services of a previous vendor under an expansion of an existing program which monitors patients at home after serious surgeries.

  This new use case is adding post-operative monitoring to the existing deployment of Cloud DX technology for chronic disease management that was announced on March 7, 2023, bringing the total value of this deployment to approximately $260,000 CAD.

- On July 24, 2023. The Company announced it had been awarded a competitive contract by a leading network of 12 primary care clinics in Western Canada to provide its Connected Health™ Remote Patient Monitoring Platform in the region.

  This collaboration with primary care physicians will expand the availability of remote patient monitoring to seniors suffering from chronic illnesses such as heart failure, hypertension, COPD, and diabetes. The initial stage of the program will enroll up to 150 patients by prescribing Cloud DX Connected Health Kits, patient subscriptions, and extensive support services at 2 locations. The client clinic network expects the deployment to grow across additional locations in the future as patient outcomes improve.