Cloud DX Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

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Cloud DX Inc.

Reporting by Directors

September 30, 2023

1. Other items

a. Meetings of Directors

3 meetings of directors (including director committee meetings) were held during the September 30, 2023 quarter. The attendance by each director during the September 30, 2023 quarter was as follows:

			Committee Meetings							
	Directors' Meeting		Audit Committee						CCGN Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended					Number eligible to attend	Number attended
Robert Kaul	1	1								
Brad Miller	1	1	1	1					1	1
William Charnetski	1	1	1	1					1	1
Michele Middlemore	1	1	1	1						
Constantine Zachos	1	1							1	1
Gaurav Puri	1	1								
Neil Fraser	1									

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited – Expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Subscription revenue	**$ 209,835**	$ 165,499	**$ 638,332**	$ 363,982
Product sales	**233,128**	204,803	**652,873**	535,425
Professional services	**32,175**	345	**123,058**	50,728
Other	**80**	121,743	**7,423**	121,743
	475,218	492,390	**1,421,686**	1,071,878
Cost of inventories sold (Note7)	**(69,401)**	(148,358)	**(325,322)**	(351,462)
Gross profit	**405,817**	344,032	**1,096,364**	720,416
Advertising and promotion	**(75,191)**	(74,388)	**(234,408)**	(283,449)
Amortization & depreciation (Notes 8, 9)	**(126,435)**	(124,233)	**(378,804)**	(369,009)
Dues and memberships	**(115,587)**	(148,515)	**(320,404)**	(281,633)
Insurance	**(29,470)**	(29,702)	**(124,932)**	(114,067)
Office and data	**(163,201)**	(377,321)	**(423,817)**	(645,295)
Professional fees	**(286,091)**	(346,092)	**(821,020)**	(1,377,244)
Research	**(4,257)**	(143,998)	**(87,350)**	(343,598)
Salaries, wages and benefits	**(1,016,370)**	(1,674,589)	**(4,017,458)**	(4,613,646)
Travel	**(14,891)**	(24,166)	**(69,525)**	(56,592)
Other general and administrative	**(1,297)**	(725)	**(4,968)**	(725)
Operating loss	**(1,426,973)**	(2,599,697)	**(5,386,322)**	(7,364,841)
Foreign exchange gain/(loss)	**(7,039)**	(4,584)	**(8,949)**	(6,044)
Interest expense	**(599,279)**	(164,323)	**(1,797,821)**	(279,620)
Government funding and grant income (Note19)	**143,228**	313,449	**308,528**	709,401
Transaction fees and listing expense	**(76,236)**	(8,876)	**(81,816)**	(16,245)
Loss before income taxes	**(1,966,299)**	(2,464,031)	**(6,966,380)**	(6,957,349)
Net loss	**(1,966,299)**	(2,464,031)	**(6,966,380)**	(6,957,349)
Other comprehensive loss: Foreign exchange translation adjustment	**-**	-	**57,498**	53,268
Comprehensive loss	**$ (1,966,299)**	$ (2,464,031)	**$ (6,908,882)**	$ (6,904,081)
Basic and diluted loss per share	(0.02)	(0.03)	(0.07)	(0.08)
Weighted average number of shares outstanding	92,492,129	83,086,948	92,492,129	83,086,948

On behalf of the Board:
_/s/ Constantine Zachos (Director) and /s/ Michele Middlemore (Director)

The accompanying notes form part of the financial statements

CLOUD DX

Cloud DX Inc.

Condensed Interim Consolidated Statement of Financial Position
As at September 30, 2023 and December 31, 2022
(Unaudited Expressed in Canadian dollars)

	Note	September 30 2023	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents		**$ 15,127**	$ 69,536
Restricted cash	Note 5.	**60,060**	60,060
Trade and other receivables	Note 6.	**392,345**	179,700
Inventories	Note 7.	**184,091**	185,135
Prepaid expenses and deposits		**116,457**	91,640
Contract assets		**28,378**	28,547
Total current assets		**796,458**	614,618
Non-current assets			
Intangible assets	Note 8.	**379,688**	263,496
Property, plant and equipment	Note 9.	**72,047**	119,904
Right of use asset	Note 13.	**683,097**	899,141
Inventories	Note 7.	**409,346**	409,346
TOTAL ASSETS		**$ 2,340,636**	$ 2,306,505
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**$ 4,494,152**	$ 3,490,896
Deferred income		**217,201**	364,718
Current portion of lease liabilities	Note 13.	**320,683**	293,357
Advances from related parties		**157,912**	267,333
Loans from related parties		**-**	1,151,880
Current portion of loan payable		**99,996**	58,331
Current portion of convertible debt		**-**	2,050,909
		5,289,944	7,677,424
Non-current liabilities			
Lease liabilities	Note 13.	**533,112**	749,022
Loan payable		**359,084**	302,092
Convertible debt		**10,206,429**	5,224,674
TOTAL LIABILITIES		**16,388,569**	13,953,212
SHAREHOLDERS' DEFICIT			
Share capital	Note 10.	**32,794,805**	30,260,087
Contributed surplus		**163,379**	138,464
Deficit		**(57,141,456)**	(50,175,076)
Share-based payment reserve		**5,948,382**	6,049,565
Warrant reserve		**1,539,420**	1,530,146
Conversion feature on convertible debt		**2,613,430**	573,498
Accumulated other comprehensive loss		**34,107**	(23,391)
		(14,047,933)	(11,646,707)
TOTAL LIABILITIES AND EQUITY		**$ 2,340,636**	$ 2,306,505

The accompanying notes form part of the financial statements

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (Deficiency)
For the Three Months and Nine Months ended September 30, 2023 and 2022
(Unaudited expressed in Canadian dollars)

	Note	Number of shareholders' shares	Share capital (Note 10)	Share-based payment reserve	Warrants reserve	Other Equity	Accumulated Other Comp Loss / (income)	Deficit	Total
Balance at December 31, 2021		72,094,396	$ 30,433,684	$ 5,983,136	$ 1,349,790	$ 78,735	$ (15,314)	$ (39,558,051)	$ (1,728,020)
Contributed surplus		-	-	-	-	138,464	-	-	138,464
Warrant issuance		-	-	-	301,046	-	-	-	301,046
Issuance cost		-	-	-	(40,913)	(43,624)	-	-	(84,537)
Share-based compensation	(Note 11)	-	-	66,429	-	-	-	-	66,429
Recovery of deferred tax on issuance cost	(Note 15)	-	(173,597)	-	(79,777)	(194,112)	-	-	(447,486)
Conversion feature of convertible debt	-	-	-	-		732,499	-	-	732,499
Net loss and comprehensive loss for the year	-	-	-	-		-	(8,077)	(10,617,025)	(10,625,102)
Balance at December 31, 2022		72,094,396	30,260,087	6,049,565	1,530,146	711,962	(23,391)	(50,175,076)	(11,646,707)
Private placement	(Note 10)	9,829,164	1,093,248	-	-	-	-	-	1,093,248
Contributed surplus		-	-	-	-	24,915	-	-	24,915
Conversion of debt		9,122,855	1,277,200	-	-	-	-	-	1,277,200
Issuance cost		-	(38,080)	-	100	-	-	-	(37,980)
Share-based compensation	(Note 11)	-		(101,183)					(101,183)
Warrant exercise		10,000	1,350	-	-	-	-	-	1,350
Asset purchase		1,435,714	201,000	-	-	-	-	-	201,000
Broker warrants issuance costs		-	-	-	9,174	-	-	-	9,174
Conversion feature of convertible debt		-	-	-	-	2,039,932	-	-	2,039,932
Net loss and comprehensive loss for the year		-	-	-	-	-	57,498	(6,966,380)	(6,908,882)
Balance at September 30, 2023		92,492,129	$ 32,794,382	$ 5,948,805	$ 1,539,420	$ 2,776,809	$ 34,107	$ (57,141,456)	$ (14,047,933)

The accompanying notes form part of the financial statements

Cloud DX Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited expressed in Canadian dollars)

		Nine Months Ended		
		September 30, 2023		September 30, 2022
Cash flows used in operating activities:				
Net loss	**$**	**(6,966,380)**	$	(6,957,349)
Items not affecting cash:				
Depreciation of property, plant and equipment and right-of-use		**261,439**		248,080
Amortization of intangible assets		**157,163**		115,525
Bad debt (income) expense		**-**		45
Interest expense on lease liabilities (Note 13)		**53,899**		-
Interest accretion on FedDev loan		**33,589**		-
Interest expense on convertible debt (Note 15)		**1,247,883**		-
Changes in working capital (Note 16)		**462,944**		2,412,086
Amortization of issuance cost (Note 15)		**176,895**		-
Broker warrants issued		**(19,464)**		-
Net foreign exchange gain		**(474,946)**		(244,762)
Cash used in operating activities		**(5,066,978)**		**(4,426,375)**
Cash flows generated from (used in) investing activities:				
Purchase of intangible assets (Notes 8 & 10)		**(235,620)**		-
Purchase of property, plant and equipment (Note 9)		**-**		363,606
Cash (used in) generated from investing activities		**(235,620)**		**363,606**
Cash flows generated from financing activities:				
Proceeds from the issuance of units (Note 10)		**1,325,430**		-
Proceeds from issuance of convertible debt, net of issuance costs (Note 15)		**1,785,000**		3,984,956
Proceeds from advances from investors (Note 17)		**98,400**		-
Payment for lease obligation (Note 13)		**(196,177)**		(65,275)
Proceeds from related party loans (Note 18)		**2,063,302**		-
Related party interest (Note 18)		**(205,565)**		-
Proceeds from FedDev Loan (Note 17)		**(33,332)**		27,356
Cash generated from financing activities		**5,248,188**		**3,947,037**
Increase in cash and cash equivalents		**(54,410)**		(115,732)
Effect of exchange rates on cash and cash equivalents		**1**		(2,246)
Cash and cash equivalents, beginning of the period		**129,596**		78,742
Cash and cash equivalents, end of the period		**15,127**		**(39,236)**
Cash		**15,127**		**(39,236)**
Restricted cash		**60,060**		**60,060**

Note 1. Nature of operations

Cloud DX Inc. (“Cloud DX” or the “Company”) is a remote patient monitoring company that is a Health Canada licensed, US Food and Drug Administration registered medical device manufacturer and software developer offering 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 in order to remotely monitor patients with serious chronic illness including chronic obstructive pulmonary disease (“COPD”) and congestive heart failure (“CHF”), as well as patients recovering from surgery and, more recently, Covid-19 patients decanted from hospitals. Typical Cloud DX customers include 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 return on investment for healthcare payers including Canadian health ministries, US Medicare and private insurance providers.

Note 2. Going concern

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

As at September 30, 2023, the Company had a deficit of $57,141,456 (December 31, 2022 – $50,175,076). During the three and nine months ended September 30, 2023, the Company incurred a net loss of $1,966,299 and $6,966,380 and negative operating cashflows of $640,603 and $5,066,978 respectively (June 30, 2022 – net loss of $2,293,861 and $6,787,179 respectively, and negative operating cashflow of $1,740,509 and $4,426,375 respectively). As at September 30, 2023, the Company’s current liabilities exceeded its current assets by $4,493,486 (December 31, 2022 – $7,062,806).

The Company’s ability to continue as a going concern is dependent upon its ability to raise equity and debt financing and on the ability to sell patient monitoring hardware and software and obtain profitable operations. There are no assurances that the Company will be successful in achieving these goals. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting policies applicable to going concern. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations. Hence such adjustments would be material to the financial reporting of the Company.

Note 3. Significant Accounting Policies

a. Entity information

i. Place of incorporation and principal business

Cloud DX Inc (the "Cloud DX" or the "Company") is a remote patient monitoring company that is a Health Canada licensed, US Food and Drug Administration registered medical device manufacturer and software developer offering a complete "end-to-end" virtual healthcare platform called Cloud DX Connected Health. The company's registered office and principal place of business is located at 100-72 Victoria Street South, Kitchener, Ontario, N2G 4Y9 with its US headquarters at 824-20 Jay Street, Brooklyn, New York, 11201.

ii. Entity information

Cloud DX is a TSXV-listed company domiciled in Canada. 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 in order to remotely monitor patients with serious chronic illness including chronic obstructive pulmonary disease ("COPD") and congestive heart failure ("CHF"), as well as patients recovering from surgery and, more recently, Covid-19 patients decanted from hospitals. Typical Cloud DX customers include large hospitals and provincial health authorities in Canada, and physician practices and hospitals in the United States.

The company is engaged in the business of 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 return on investment for healthcare payers including Canadian health ministries, US Medicare and private insurance providers.

The consolidated financial statements of the company as at and for the quarter ended December 31, 2023 comprises the company and its subsidiaries (together referred to as the Company) and the Company's interest in associates and jointly controlled entities.

b. Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds there from, to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables.

Note 3. Significant Accounting Policies

c. IFRS compliance and adoption

i. Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements were authorized for issue by the Board of Directors on November 26, 2023.

ii. Reclassification

Certain comparative information has been reclassified to conform to the current year presentation in the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss, consistent with the audited financial statements as at December 31, 2022. These reclassifications had no effect on the reported net and comprehensive loss of the Company (See Note 7 for details).

Note 4. Use of estimates and judgments

The preparation of condensed interim consolidated financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have impact on future periods.

Note 5. Restricted cash

As at September 30, 2023, the Company had $60,060 ($60,000 in 2022) of restricted cash held as collateral against its credit card limit. The funds are invested in a cashable Guaranteed Investment Certificate (GIC) which matured on May 4, 2023 was reinvested for another 12 months. The credit facility was established in 2021.

	Consolidated	
	September 30 2023	**December 31 2022**
Cash and cash equivalents	**$ 14,127**	$ 69,536
Restricted cash	**60,060**	60,060
Total cash and cash equivalents	**75,187**	129,596

Note 6. Trade and other receivables

		Consolidated		
		September 30 2023		**December 31 2022**
Trade receivables	**$**	**331,760**	$	86,909
Harmonized Sales tax receivable		**68,409**		100,662
Less expected credit losses		**(7,824)**		(7,871)
Total	**$**	**392,345**	$	179,700
Check	**$**	**392,345**	$	179,700

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The maximum credit risk exposure associated with the trade receivables is the carrying value.

Note 7. Inventory

		September 30 2023		**December 30 2022**
Finished goods	**$**	**184,091**	$	185,135
Goods in work in progress (long-term)		**409,346**		409,346
	$	**593,437**	$	594,481

Inventory related to sales recognized as cost of goods sold during the three and nine months ended September 30, 2023 amounted to $69,401 and $325,322 respectively (2022 - $148,358 and $351,462 respectively). The Company has classified inventory as long-term where the expected sale is beyond one year from September 30, 2023.

The comparative information related to the cost of goods sold for the Three and Nine months ended September 30, 2023 has been reclassified to exclude data access (three months $57,942 and nine months $119,804), software licensing ($3,066 and $11,710) and hosting expenses ($30,253 and $77,267) from cost of goods sold. These expenses have been presented under operating expenses. As a result of the reclassification, the gross profit for the Three and Nine months ended September 30, 2022 has increased from $82,601 and $341,106, respectively, to $344,032 and $720,417.

Note 8. Intangible assets

Intangible assets include intellectual property acquired from a third party. The movements of the Company's intangibles are summarized as follows:

Intellectual Property	**September 30 2023**
Cost	
Balance at December 31, 2021	$ 1,479,880
Foreign exchange difference	101,086
Balance at December 31, 2022	1,580,966
Additions	235,620
Foreign exchange difference	(9,338)
Balance at September 30, 2023	**1,807,248**
Accumulated amortization and impairment	
Balance at January 1, 2022	(1,085,244)
Amortization	(151,864)
Foreign exchange difference	(80,363)
Balance at December 31, 2022	(1,317,471)
Amortization	(157,16)
Foreign exchange difference	47,073
Balance at September 30, 2023	**(1,427,560)**
Carrying amounts	
Balance at December 31, 2022	**263,496**
Balance at September 30, 2023	**$ 379,688**

Intangible assets are held by Cloud DX, Inc. and are located in the United States of America

Note 9.Property, plant and equipment

The following represents property, plant and equipment, net by class

	Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Leasehold Improvements	Total Value
Cost						
January 1, 2022	$119,931	$27,078	$9,757	$100,540	$57,990	**$315,396**
Additions	9,610	-	-	1,086	2,348	**13,044**
Foreign exchange	248	192	-	902	-	**1,342**
Balance at December 31, 2022	129,789	27,270	9,757	102,627	60,338	**329,782**
Foreign exchange	(21)	(17)	(1)	(79)	-	**(118)**
Balance at September 30, 2023	**129,768**	**27,253**	**9,756**	**102,548**	**60,338**	**329,663**
Accumulated depreciation						
January 1, 2022	68,941	18,166	9,757	43,890	3,624	**144,378**
Amortization	30,883	1,935	-	17,964	14,719	**65,501**
Foreign exchange	1	-	-	-	-	**1**
Balance at December 31, 2022	99,825	20,101	9,757	61,853	18,343	**209,879**
Amortization	22,867	1,381	-	12,959	11,002	**48,209**
Foreign exchange	(266)	(51)	(1)	(154)	(1)	**(473)**
Balance at September 30, 2023	**122,426**	**21,431**	**9,756**	**74,658**	**29,344**	**257,615**
Carrying amounts						
Balance at December 31, 2022	**29,966**	**7,169**	**-**	**40,774**	**41,995**	**119,904**
Balance at September 30, 2023	**$ 7,342**	**$ 5,822**	**$ -**	**$ 27,890**	**$ 30,994**	**$ 72,047**

The property and equipment broken down by geographic location is as follows:

	September 30, 2023	December 31, 2022
Property and equipment, net		
Canada	$86,738	70,986
United States of America	$1,402	1,062
Total property and equipment, net	88,140	72,048

Note 10. Share capital

The Company's authorized share capital consists of an unlimited number of common shares

	Number of Shares			Total Value
Balance at January 1, 2022	**72,094,396**	$	-	**$30,433,684**
Recovery of deferred tax on issuance cost	**-**		-	(173,597)
Balance at December 31, 2022	**72,094,396**		-	30,260,087
Warrant exercise	10,000		-	1,350
Private placement (net of issuance cost)	20,387,733		-	2,533,368
Balance at September 30, 2023	**92,492,129**	$	-	$32,794,805

During the nine months ended September 30, 2023, the Company issued 20,387,733 Units at a price of $0.14 per Unit for aggregate gross proceeds of $2,989,946 in additional share capital from the first tranche of the private placement on March 15, 2023. The gross proceeds included cash proceeds of $1,123,684, conversion of related party loans of $1,277,200 ($nil in 2022 – see Note 18) and acquisition of intangible asset of $201,000 (see Note 8)

Note 11. Share-based payments

During the three and nine months ended September 30, 2023, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of $nil and $nil respectively (2022 - $nil and $nil respectively).

The Company observed similar public companies and its own share price volatility in order to estimate volatility over the estimated life of the option. Changes in these variables can materially impact the estimated fair value of share-based compensation and consequently, the related amount recognized to share-based compensation expenses in the consolidated statements of loss and comprehensive loss.

The following is a summary of share options for the periods ended September 30, 2023 and December 31, 2022 after adjusting for the 22.3783 exchange ratio for the CDX options and the 4.8123 consolidation ratio for the Roosevelt options.

		Average exercise price per share option	Number of options
As at January 1, 2022	$	0.64	$ 4,413,953
Granted during the year	$	0.35	565,363
Forfeited during the year	**$**	**0.64**	(1,972,347)

Note 11. Share-based payments

		Average exercise price per share	Number of options
As at December 31, 2022	**$**	**0.58**	**3,006,969**
Vested and exercisable at December 31, 2022	**$**	**0.61**	**2,713,938**
Vested and exercisable at September 30, 2023	**$**	**0.61**	**$ 2,713,938**

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

			# of Share options	
Grant Date	Expiry Date	Exercise price	September 30, 2023	December 31, 2022
Apr 2021	Apr 2026	$0.48-$0.65	2,528,581	2,528,581
Feb 2022	Feb 2027	$0.35	478,388	478,388
Total			3,006,969	3,006,969
			3.84	3.84

Weighted average remaining contractual life of options outstanding at end of period (in years)

Note 12. Litigation

The Company is subject to routine legal proceedings. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated losses, cash flow or financial position.

Note 13. Leases

Short Term Leases

The Company and its subsidiaries are parties to various rent and software license costs. For leases in which the lease has a term less than 12 months on the commencement date, all commitments are on a month-to-month basis and can be cancelled at any time within a 30 to 60-day notice period.

Long Term Leases

	September 30 2023	December 31 2022
Right of use assets		
Opening right of-use asset	**$ 1,456,802**	$ 1,415,798

	September 30 2023	December 31 2022
Foreign exchange	**247,018**	41,004
Closing right of use asset	**1,703,820**	1,456,802
Accumulated depreciation		
Opening accumulated depreciation	**(557,661)**	(266,423)
Depreciation for the period	**(213,230)**	(282,569)
Foreign exchange	**(249,832)**	(8,670)
Closing accumulated depreciation	**(1,020,723)**	(557,661)
Right of use assets, net	**683,097**	899,141
Lease liabilities		
Opening Lease Liability	**1,042,379**	1,236,773
Accretion/payment during the year	**53,899**	89,840
Principal payments	**(196,177)**	(318,258)
Foreign exchange	**(46,306)**	34,024
Closing lease liabilities	**$ 853,795**	$ 1,042,379

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 8%.

Right-of-use assets are amortized over the expected average lease term of 5 years (2022 – 5 years).

Note 14. Financial risks

Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company has revenue and purchases that are denominated in a currency other than the functional currency of the Company, being the US dollar. These transactions are primarily denominated in Canadian dollars. The Company does not currently enter into forward contracts to mitigate this risk. There have been no changes in the risk exposure from fiscal 2022.

As at September 30, 2023 and 2022, a 5% increase/decrease in the currency rate would increase/decrease the net loss by less than $1,000.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Note 14. Financial risks

Currency risk

The Company manages liquidity risk through ongoing review of accounts receivable balances; following up on amounts past due; and management of cash.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The following tables outline the Company's remaining contractual maturities for its non-derivative financial liabilities based on the earliest date the Company is required to make payment on these amounts:

	September 30, 2023			
	Total	less than 1 year	1-3 years	After 3 years
Trade and other receivables	$ 4,494,152	$ 4,494,152	$ -	$ -
Lease liabilities	853,795	320,683	473,756	59,356
Advances from related parties	157,912	137,812	-	-
Loan payable	459,080	99,996	299,988	59,096
Convertible debt principal	10,206,429	3,806,408	6,400,021	-
Convertible debt interest payments	2,023,802	1,927,552	96,250	-
	$18,195,170	**$10,806,703**	**$ 7,270,015**	**$ 118,452**

Credit risk

Credit risk is that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from cash and trade and other receivables. As at September 30, 2023 and 2022, the trade and other receivables were within normal repayment terms and the Company had recorded expected credit losses as disclosed in Note 6.

Interest rate risk

The Company's loans from related parties and convertible debt bear interest at fixed rates. As a result, the Company is exposed to fair value interest rate risk due to fluctuations in the prime rate.

Note 15. Convertible debt

The summary of the convertible debt liability and related conversion features is as follows:

	Debentures	Fair value of warrants	Conversion feature	Total
Balance at January 1, 2022	1,525,962	154,472	78,735	1,759,169
Convertible debt issues (net of issuance cost)	5,048,201	196,048	688,875	5,933,124
Issuance of broker warrants		64,086		64,086
Interest and accretion expense	905,063	-	-	905,063
Payment of interest	(397,733)	-	-	(397,733)
Amortization of issuance cost	194,089	-	-	194,089
Recovery of tax on issuance cost	-	(79,777)	(194,112)	(273,889)
Balance at December 31, 2022	**7,275,583**	**334,829**	**573,498**	**8,183,910**
Convertible debt issues (net of issuance cost)	1,520,439	-	2,039,932	3,560,371
Issuance of broker warrants	-	28,479	-	28,479
Interest and accretion expense	1,247,883	-	-	1,247,883
Amortization of issuance cost	162,524	-	-	162,524
Balance at September 30, 2023	**10,206,429**	**363,308**	**2,613,430**	**13,183,167**
Current	-	-	-	-
Non-current	10,206,429	346,433	2,613,430	13,166,292
Total	**$10,206,429**	**$346,433**	**$2,613,430**	**$13,166,292**

(i) The Company issued the following financial instruments during the fiscal year 2022:

a. On September 8, 2023, the Company issued 3,546 $1,000 convertible debentures for the total gross proceeds of $3,546,000. Convertible debentures are accrued at interest rate of 18% payable at the earlier of maturity or conversion date, in the form of (i) common shares of the Company at their market price one day prior to maturity or conversion date, or (ii) cash, at the sole discretion of the Company. The debentures are convertible into units at a price of $0.10 per unit at the discretion of holder any time before maturity date of September 8, 2026. As part of commission for financing convertible debentures, the Company issued 169,600 broker warrants having an exercise price of $0.10 per share and a term of 3 years. Fair value of the host debt was calculated using market interest rate of 33% and the remaining transaction price was allocated to conversion feature classified as equity.

b. On November 25, 2022, the Company issued 2,328 units of $1,000 convertible debentures for the total gross proceeds of $2,328,000. Convertible debentures are accrued at interest rate of 18% payable at maturity and are convertible into common shares at a price of $0.16 per share at the discretion of holder anytime before maturity date of May 25, 2024. As part of commission for financing convertible debentures, the Company issued 115,000 broker warrants having an exercise price of $0.16 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 31% and the remaining transaction price was allocated to conversion feature classified as equity.

c. On July 6, 2022, the Company issued 1,990 units of $1,000 convertible debentures for the total gross proceeds of $1,990,000. Convertible debentures are accrued at interest rate of 18% payable at maturity and are convertible into common shares at a price of $0.15 per share at the discretion of holder anytime before maturity date of July 6, 2023. As part of commission for financing convertible debentures, the Company issued 138,333 broker warrants having an exercise price of $0.15 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 28% and the remaining transaction price was allocated to conversion feature classified as equity.

d. On April 14, 2022, the Company issued 180 units of a financial instrument for the total gross proceeds of $180,000. Each unit provides for $1,000 convertible debt and 1,430 warrants. Convertible debt is accrued at interest rate of 10% payable quarterly and is convertible into common shares at a price of $0.35 per share at the discretion of holder anytime before maturity date of January 27, 2025. Warrants have an exercise price of $0.50 per share and a term of 2 years. As part of commission for financing convertible debt, the Company issued 41,143 broker warrants having an exercise price of $0.35 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 22% and the remaining transaction price was allocated to warrants based on their fair value using the Black Scholes model with the residual being allocated to conversion feature classified as equity. Key assumptions have been listed in the below table.

e. On March 18, 2022, the Company issued 260 units of a financial instrument for the total gross proceeds of $260,000. Each unit provides for $1,000 convertible debt and 1,430 warrants. Convertible debt is accrued at interest rate of 10% payable quarterly and is convertible into common shares at a price of $0.35 per share at the discretion of holder anytime before maturity date of January 27, 2025. Warrants have an exercise price of $0.50 per share and a term of 2 years. As part of commission for financing convertible debt, the Company issued 37,142 broker warrants having an exercise price of $0.35 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 22% and the remaining transaction price was allocated to warrants based on their fair value using the Black Scholes model with the residual being allocated to conversion feature classified as equity. Key assumptions have been listed in the below table.

f. On January 27, 2022, the Company issued 1,575 units of a financial instrument for the total gross proceeds of $1,575,000. Each unit provides for $1,000 convertible debt and 1,430 warrants. Convertible debt is accrued at interest rate of 10% payable quarterly and is convertible into common shares at a price of $0.35 per share at the discretion of holder anytime before maturity date of January 27, 2025. Warrants have an exercise price of $0.50 per share and a term of 2 years. As part of commission for financing convertible debt, the Company issued 348,286 broker warrants having an exercise price of $0.35 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 22% and the remaining transaction price was allocated to warrants based on their fair value using the Black Scholes model with the residual being allocated to conversion feature classified as equity. Key assumptions have been listed in the below table.

Note 16. Supplementary cash flow information

Changes in working capital

		September 30 2023		September 30 2022
Trades and other receivables	$	212,645	$	55,660
Prepaid expenses		24,817		(5,771)
Inventory		(1,044)		89,759
Contract Assets		(169)		(41,444)
Related parties		1,261,301		79,158
Deferred income		147,517		(42,165)
Trade and other payable		(1,003,256)		1,875,965
Total change in working capital	**$**	**641,811**	$	2,011,162

Note 17. Loan Payable

During the year ended December 31, 2022, CDX received the remaining $50,000 of its interest-free $500,000 Business Scale Up and Productivity Contribution Agreement with the Federal Economic Development Agency for Southern Ontario. The facility is designed to assist with the Company's scale up in the North American markets, is non-interest bearing with repayments commencing in June 2023 at $8,333 per month ($8,353 in the final month of May 2028).

The Company has recognized $nil ($26,774 in 2022) of government funding as a result of the below market interest rate and is amortizing the balance owing over the repayment period of 7 years. The carrying amount of this loan at September 30, 2023 is $459,080 ($360,423 in 2022) after assuming an discount rate of 20.00% (20.00% in 2022) to calculate the portion attributable to government funding.

Note 18. Related party transactions

During the three and nine months ended September 30, 2023, the Company has recorded an expense associated with consulting fees and wages to directors and officers and their wholly owned companies of $164,813 and $494,440 (2022 - $172,642 and $341,553). During the three and nine months ended September 30, 2023, the Company incurred director fee expenses of $9,000 and $27,000 (2022 - $18,000 and $36,000).

The advances to/from related parties of $21,675 ($nil in 2022), relate to advances to/from certain directors of the Company. These amounts have no fixed repayment terms, are unsecured and are non-interest bearing.

In addition, related party convertible loans were made to the Company for the three and nine months ended September 30, 2023 for $300,000 and $2,032,523 ($1,045,000 and $1,045,000 in 2022). The loans accrue at 5% to 10% per annum interest and are payable on maturity. The loans are convertible, at the option of the holders, into any open TSX approved Secured Convertible Debenture Offering from the Company. The loans were initially recorded at their fair values using effective interest rates, which resulted in a day 1 gain of $122,730 recorded to contributed surplus.

During the three and nine months ended September 30, 2023, the loans having the face value of $1,740,637 ($nil in 2022) were converted to Units and with the face value of $1,761,000 ($nil in 2022) were converted to convertible debentures and a net loss of $88,238 ($nil in 2022) on extinguishment was recorded, with a balance of related party loans of $nil outstanding as at September 30, 2023 (Refer to Notes 10 and 15). On the issuance date, the loans not repayable on demand were discounted using market interest rates of 28-32%.

	September 30 2023	**December 31 2022**
Opening Balance	**$1,151,880**	$ -
Proceeds from related party loans	**2,038,805**	2,983,445
Fair value adjustment on related party loans allocated to contributed surplus	**(122,730)**	(138,464)
Interest expense	**205,565**	160,361
Accretion of fair value recorded	**36,240**	65,696
Loss on extinguishment	**191,877**	36,036
Related party loans converted to units	**(1,740,637)**	-
Related party loans converted to convertible debt	**(1,761,000)**	(1,955,194)
Closing Balance	**$ -**	**$ 1,151,880**

Compensation for key management personnel, including the Company's officers and Board of Directors, and private companies controlled by the Company's Officers and Board of Directors, was as follows:

	3 months			**9 months**
	2023	**2022**	**2023**	**2022**
Contractor expense for services	**$ 25,500**	$ 47,781	$ 76,500	$ 89,033
Wages	**130,313**	106,861	390,940	198,520
Directors' fees	**9,000**	18,000	27,000	54,000
Total key management compensation	**$ 164,813**	$ 172,642	$ 494,440	$ 341,553

Note 19. Government assistance and grants

During the three and nine months ended September 30, 2023, the total of grants received and deferred grant income from prior year recognized as income was $143,228 and $308,528 (2022 - $313,449 and $709,401).

As at September 30, 2023 the amount of $217,201 (2022 - $364,718) has been deferred for recognition in the future on a consistent basis with recording the related expense.

Note 20. Subsequent events

October 4, 2023, The Company announced a contract with a new Ontario Paramedic Service to bring remote patient monitoring (RPM) to seniors in the community. This community paramedic group chose Cloud DX to provide Connected Health™ kits and remote monitoring services for an already-running RPM program after receiving additional funding through the Ontario government's Community Paramedicine for Long-Term Care program (CPLTC).

For this contract, Cloud DX Connected Health is once again replacing another vendor. The flexibility of the Connected Health platform allows the customer to continue using some legacy hardware, lowering the cost of switching to Cloud DX. The CPLTC program is fully funded by the provincial government to provide additional care for seniors in the comfort of their own homes before admission into long-term care.

This is the 13th contract or extension Cloud DX has signed with 8 separate Community Paramedic Services in Ontario, and the 22nd contract / extension announced by the Company in 2023 versus 28 contracts announced in all of 2022.