Cloud DX Inc.

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2023 and 2022

BACKGROUND

This Interim MD&A for Cloud DX Inc. For the Three and Nine Months Ended September 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 Nine Months Ended September 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 **November 26, 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 September 30, 2023, the following developments occurred:

Cloud DX delivered strong sales growth in the first three quarters of 2023, as new clients signed commercial agreements and existing clients extended their contracts and/or expanded their RPM programs.

SALES: The Company has announced **21 commercial contracts** or contract extensions to September 30th, 2023, compared to 28 agreements announced during FY2022. In particular during the period:

- 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 across the country. The initial contract runs from July 1, 2023 to September 30, 2026 with option for a further 2 extensions of 2 years each, to September 30, 2030. The total estimated awarded contract valuation for the full term of the agreement including option periods is $3,040,000 CAD.

- On July 24, 2023 we announced that we were awarded a competitive contract by Alberta Central Zone Primary Care Network (PCN), a group of 12 primary care clinics, to provide our Connected Health™ Remote Patient Monitoring Platform in the region. 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.

- On September 28, 2023 we announced that Cloud DX was selected through a competitive RFP process to remain as the provider of digital Remote Patient Monitoring (dRPM) products and services to Alberta Health Services (AHS). According to official stats from the Canadian Institute for Health Information (www.cihi.ca) Patient Cost Estimator, exacerbation of chronic conditions resulted in over 11,000 hospital admissions in Alberta in 2021 averaging 7 days each.

FINANCING: The Company continues to raise capital to expand operations and meet the requirements of newly signed sales contracts:

- On September 21, 2023, the Company announced further to the Company's news release dated July 11, 2023, it had closed its previously announced non-brokered private placement offering of 3,546 convertible debentures of the Company at a price of $1,000 per Convertible Debenture for aggregate gross proceeds of $3,546,000. At the time we further announced that we expect to close a second tranche for approximate gross proceeds of $454,000 in the coming weeks.

- The Company also announced on September 21, 2023, again further to the news release dated July 11, 2023, amendments to $4,207,000 of unsecured convertible debentures issued October 1, 2021, as amended and supplemented on January 27, 2022 wherein we increased the interest rate from 10% per annum to 18% per annum and amended the payment terms such that interest shall be payable on the earlier of the conversion date and the maturity of the Debentures (as opposed to quarterly), subject to TSXV policies, in the form of (i) Common Shares at a price per Common Share equal to the closing price of the listed Common Shares on the TSXV on the last trading day immediately prior to the maturity date or the conversion date, as applicable or (ii) cash, at the sole discretion of the Company; amended the conversion price of the Debentures from $0.35 to $0.15 per Common Share; amended the terms of the Debentures to authorize the principal amount outstanding as at the maturity date, to be repaid by way of issuing Common Shares at a price per Common Share equal to the closing price of the listed Common Shares on the TSXV on the last trading day immediately prior to the maturity date, subject to TSXV approval; and capitalized all accrued and unpaid interest from January 1, 2023 to March 31, 2023 owed pursuant to the Debentures through the issuance of additional convertible debentures on the same terms. Furthermore, the Company made amendments to 6,016,010 common share purchase warrants issued together with the 10% Unsecured Convertible Debentures pursuant to a warrant indenture among the Company and the Trustee dated October 1, 2021 and a warrant indenture among the Company and the Trustee dated January 27, 2022 that amended the exercise price of the 10% Debenture Warrants from $0.50 to $0.19; and amended the terms of the 10% Debenture Warrants to include an accelerated expiry clause such that the exercise period of the 10% Debenture Warrants will be reduced to 30 days from notice thereof, if, for any ten consecutive trading days during the unexpired term of the 10% Debenture Warrants, the closing price of the Common Shares listed on the TSXV exceeds the Proposed Exercise Price by 25% or more.

PATENTS: To date in 2023, 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)

<u>Pulsewave PAD 2A Health Monitor</u>

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 September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
	$	$	$	$
Revenue	475,218	492,390	1,421,686	1,071,878
Cost of sales	69,401	148,358	325,322	351,462
Gross profit	**405,817**	**344,032**	**1,096,364**	**720,416**
Gross profit margin	85.4%	69.9%	77.1%	67.2%
Operating expenses net of depreciation, amortization and share based compensation	1,706,355	2,819,496	6,103,882	7,716,249
Other income and (expenses)	0	0	0	0
Adjusted EBITDA	**(1,300,538)**	**(2,475,464)**	**(5,007,518)**	**(6,995,833)**
Foreign exchange gain/(loss)	(7,039)	(4,594)	(8,949)	(6,043)
Share based compensation	-	-	-	-
Government funding and grant income	143,228	313,449	308,528	709,401
Fair value gain/(loss)	-	-	-	-
Gain/(loss) on marketable securities	-	-	-	-
Transaction fees and listing expenses	(76,236)	(8,876)	(81,816)	(16,245)
EBITDA	(1,240,585)	(2,175,485)	(4,789,755)	(6,308,720)
Depreciation & amortization	(126,435)	(124,223)	(378,804)	(369,009)
Interest	(599,279)	(164,323)	(1,797,821)	(279,620)
Income taxes	-	-	-	-
Net loss	(1,966,299)	(2,464,031)	(6,966,380)	(6,957,349)
Other comprehensive income/(loss)	-	-	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)

Revenue and Gross Profit

For the Three Months Ended September 30, 2023 and 2022, overall revenue was lower by $17,172 or 3.5% due to a considerable decrease in professional and other revenue. Subscription revenue increased by $44,336 or 26.8% mainly due to new Kits deployed by existing customers, namely, Peterborough County, Alberta Health Services, Ottawa Hospital and Guelph Paramedic. Product sales increased by $28,325 or 13.8% period over period as additional sales were realized from existing customers such as Alberta Health Services, and new customers, such as, Southlake Regional Health, Brantford Paramedics and Oxford County.

Professional and other income decreased by $89,833 or 73.6% due to fewer projects which the Company participated in the third quarter of 2023 compared to 2022. 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 15.5% in gross margin from 69.9% to 85.4% 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. Hence the reason for the material increase in gross margin.

	Three Months Ended September 30,			
	2023	2022		Change
	$	$	$	%
Subscription Revenue	209,835	165,499	44,336	26.8
Product Revenue	233,128	204,803	28,325	13.8
Professional and Other Revenue	32,255	122,088	(89,833)	(73.6)
Total Revenue	**475,218**	**492,390**	**(17,172)**	**(3.5)**
Cost of Goods Sold	69,401	148,358	(78,957)	(53.2)
Gross Profit	**405,817**	**344,032**	**61,785**	**18.0**
Gross Profit %	85.4%	69.9%		15.5

For the Nine Months Ended September 30, 2023 and 2022, overall revenue was higher by $349,808 or 32.6% mainly due to a significant increase in subscription revenue. Subscription revenue rose by $274,350 or 75.4% mainly due to new contracts realizing new sales from Peterborough County, Alberta Health Services, Guelph Paramedic Services and The Ottawa Hospital. Product sales were higher by $117,448 or 21.9% period over period as Connected Health Kits were shipped to new customers such as Essex, Oxford County, Brantford Paramedics and Owen Sound Family Health who signed contracts in 2022. Additional sales were realized from existing customers such as Alberta Health Services and Yukon Health & Social Services, as well as new customers such as Simcoe Paramedics and Oneida Paramedic Services.

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, resulting in an increase in gross margin percentage from 16.8% (three months) and 31.8% (nine months) to 69.9% and 67.2%, respectively.

Professional and other income were lower by $41,991 or 24.3% due to fewer projects which the Company participated in 2023 compared to 2022. Typically, Professional Services revenue fluctuates from period to period based on the duration of contracts for those services. The bulk of revenue in 2022 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 9.9% in gross margin from 67.2% to 77.1% 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.

	Nine months ended September 30,			
	2023	2022	Change	
	$	$	$	%
Subscription Revenue	638,332	363,982	274,350	75.4
Product Revenue	652,873	535,425	117,448	21.9
Professional Services	130,481	172,472	(41,991)	(24.3)
Total Revenue	**1,421,686**	**1,071,878**	**349,808**	**32.6**
Cost of Goods Sold	325,322	351,462	(26,140)	(7.4)
Gross Profit	**1,096,364**	**720,416**	**375,948**	**52.2**
Gross Profit %	77.1%	67.2%		9.9

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 September 30,			
	2023	2022		Change
	$	$	$	%
Salaries & wages	1,016,370	1,674,589	(658,219)	(39.3)
Professional fees	286,091	346,092	(60,001)	(17.3)
Sales, general & administrative	236,436	277,496	(41,060)	(14.8)
Office & data	163,201	377,321	(214,120)	(56.7)
Research & development	4,257	143,998	(139,741)	(97.0)
Amortization & depreciation	126,435	124,233	2,202	1.8
	1,832,790	**2,943,729**	**(1,110,939)**	**(37.7)**

Operating expenses were lower by $1,110,939 or 37.7% for the three-month period ended September 30, 2023, primarily brought upon by the Company's continual focus to cut spending around salaries & wages, research & development, office, sales, general & administrative and professional fees.

Salaries and wages decreased by $658,219 or 39.3% 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 less by $60,001 compared to the same period in 2022, mainly due to the decrease in recruiting, investor relations and legal expenses.

Sales, General & Administrative costs were down by $41,060 or 14.8% due to cost cutting associated with the Company's IT subscriptions and general and administrative costs with servicing customers.

Office expenses were down by $214,120 or 56.7% due to the US office rental adjustments resulting from the move to the new office and a rent adjustment for the Canadian office. Research and development costs were $139,741 or 97.0% lower, which was due in part to the Company incurring less in grant costs – as grant funding was substantially less for the September 2023 quarter at 143,228 (313,449 in September 2022 quarter). Amortization and depreciation were higher by 1.8% or $2,202 compared to the same period in 2022 thanks to slightly higher net asset values of the Company's tangible assets in 2023.

	Nine months ended September 30,			
	2023	2022	Change	
	$	$	$	%
Salaries & wages	4,017,458	4,613,646	(596,188)	(12.9)
Professional fees	821,020	1,377,244	(556,224)	(40.4)
Sales, general & administrative	754,237	736,465	17,772	2.4
Office	423,817	645,295	(221,478)	(34.3)
Research & development	87,350	343,598	(256,248)	(74.6)
Amortization & depreciation	378,804	369,009	9,795	2.7
	6,482,686	**8,085,258**	**(1,602,572)**	**(19.8)**

Operating expenses were lower by $1,602,572 or 19.8% for the Nine-month period ended September 30, 2023, largely caused by the Company's cost cutting around salaries & wages, professional fees, office and, research & development.

Salaries and wages decreased by $596,188 or 12.9% during the current period, due to rightsizing of the wage spend in April. Professional fees, paying consultants for support around corporate initiatives and year-end audit, were lower by $556,224 compared to the same period in 2022, mainly due to the decrease in recruiting, investor relations and legal expenses.

Sales, General & Administrative costs were marginally up by $17,772 or 2.4% 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 down by $221,478 or 34.3% due to the US office rental adjustments resulting from the move to the new office and a rent adjustment for the Canadian office. Research and development costs were $256,248 or 74.6% lower, which was due to the Company incurring less in grant costs – as grant funding was significantly less for the Nine months ended September 2023 at $308,528 ($709,401 in September 2022). Amortization and depreciation were higher by 2.7% or $9,795 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 September 30,			
	2023	2022		Change
	$	$	$	%
Foreign exchange gain/(loss)	(7,039)	(4,584)	(2,455)	53.6
Interest expense	(599,279)	(164,323)	(434,956)	264.7
Government funding and grant income	143,228	313,449	(170,221)	(54.3)
Listing expense	(76,236)	(8,876)	(67,360)	758.9
	(539,326)	**135,666**	**(674,992)**	**(497.0)**

Other expenses increased by $674,992 or 497.0% for the three months ended September 30, 2023. Interest expenses were $434,956 or 264.7% higher than in the same period in 2022 due to the Company's increased portion of convertible debt, which has been raised since September 30, 2022, accreted at a considerable higher discount rate.

Furthermore, the Company earned $170,221 or 54.3% less in government funding income as compared to the September 2022 quarter.

	Nine months ended Sept 30,			
	2023	2022		Change
	$	$	$	%
Foreign exchange gain/(loss)	(8,949)	(6,044)	(2,905)	48.1
Interest expense	(1,797,821)	(279,620)	(1,518,201)	543.0
Government funding and grant income	308,528	709,401	(400,873)	(56.5)
Listing expense	(81,816)	(16,245)	(65,572)	403.7
	(1,580,058)	**407,492**	**(1,987,550)**	**(487.8)**

Other expenses were $1,987,550 higher or 487.8% for the Nine months ended September 30, 2023. Interest expenses were $1,518,201 or 543.0% higher than in the same period in 2022 mainly owing to the interest accretion expense of $1,424,778 related to convertible debentures and issuance costs.

Additionally, the Company earned $400,873 or 56.5% less in government fund income as compared to the Nine months ended September 2022. Listing expense increased by $65,572 or 403.7% due to the private placements during the year.

Statement of Financial Position

	As at			
	September 30, 2023	December 31, 2022	Change	
	$	$	$	%
Total assets	2,340,636	2,306,505	34,131	1.5
Total liabilities	16,388,569	13,953,212	2,435,357	17.5
Shareholders' equity (deficiency)	(14,047,933)	(11,646,707)	(2,401,226)	20.6
Total liabilities and shareholders' equity (deficiency)	2,340,636	2,306,505	34,131	1.5

Total Assets

As of September 30, 2023, total assets slightly increased by 1.5% or $34,131. The change was due to the Company's reduced cash position by $54,410 or 53.0% and reductions in the carry amounts of fixed assets by $47,857 or 39.9% and ROU assets by $216,044 or 24.0%, countered by an increase in accounts receivable of $212,645 or 118.3% and a net increase in intangible assets of $116,192 or 44.1%, as a result of a purchase of intellectual property for $235,544.

Total Liabilities

Meanwhile, total liabilities as of September 30, 2023, increased by $2,435,357 or 17.5% as compared to 2022-year end. A $1,003,256 or 28.7% increase in accounts payable and increase of $2,930,846 or 40.3% in convertible debt were the primary drivers of this increase in total liabilities. Deferred income decreased by $147,517 or 40.4% due to the revenue recognition treatment of current period sales, which couldn't be recognized as income for 2022.

Lastly, these increases were partially countered by a $1,151,880 decrease to related party loans, which were converted to equity and convertible debentures. Total lease liabilities for the Company dropped by $188,584.

Liquidity and Capital Resources

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

	September 30, 2023	December 31, 2022
	$	$
Cash	15,127	69,536
Restricted Cash	60,060	60,060
Working Capital	(4,493,486)	(7,062,806)
Current Assets	796,458	614,618
Current Liabilities	5,289,944	7,677,424
Working Capital	(4,493,486)	(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 $5,066,978 and was offset by the positive financing cashflow of $5,248,188. The Company realized a decrease of $54,410 in overall cash for the year.

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

	Nine Months Ended September 30,			
	2023	2022	Change	
	$	$	$	%
Cash from (used) in				
Operating activities	(5,066,978)	(4,426,375)	(640,603)	14.5%
Investing activities	(235,620)	363,606	(599,225)	(164.8%)
Financing activities	5,248,188	3,947,037	760,781	33.0%
Increase (decrease) in cash	**(54,410)**	**(115,732)**	**61,322**	**(53.0%)**

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 Nine months ended September 2023 resulted in a $54,410 deficit. This was mainly owing to the Company's negative operating cashflow of $5,066,978 as the Company continued to fund sales expansion and service customers. The deficit was countered by the Company's ongoing financing activities of $5,248,188 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 September 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	$ 4,494,152	$ 4,494,152	$ -	$ -
Lease liabilities	853,795	320,683	473,756	59,356
Advances from related parties	157,912	157,912	-	-
Loan payable	459,080	99,996	299,988	50,096
Convertible debt principal	10,206,429	3,806,408	6,400,021	-
Convertible debt interest payments	2,023,802	1,927,552	96,250	-
Total	**18,165,126**	**10,776,659**	**7,270,015**	**118,452**

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
	September 30, 2023	December 31, 2022
Common Shares	92,492,129	72,094,396
Total Shares issued and outstanding	92,492,129	72,094,396

Additionally, the Company has issued the following securities:

		As at
	September 30, 2023	December 31, 2022
Options	4,979,316	4,979,316
Warrants	53,492,459	14,350,248
Total Diluted Shares	150,963,904	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 Nine months ended September 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 were subjected 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 September 8, 2023, the Company issued 23,546 $1,000 convertible debentures for the total gross proceeds of $3,546,000. 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.

As of September 30, 2023, the Company had 4,979,916 (3,006,969 in 2022) stock options and 53,492,459 (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 Nine Months Ended September 30, 2023 and 2022.

During the three and Nine months ended September 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 September 30,			
	2023	2022	Change	
	$	$	$	%
Contractor expenses for services	25,500	47,781	(22,281)	(46.6%)
Wages	130,313	106,861	23,452	21.9%
Directors' fees	9,000	18,000	(9,000)	(50.0%)
	164,813	172,642	(7,829)	(74.7%)

	Nine Months Ended September 30,			
	2023	2022	Change	
	$	$	$	%
Contractor expenses for services	76,500	89,000	(12,533)	(14.1%)
Wages	390,940	198,520	192,420	96.9%
Directors' fees	27,000	54,000	(27,000)	(50.0%)
	494,440	341,553	152,887	32.9%

Subsequent event:

On October 4, 2023, the Company announced a new contract with an Ontario Community Paramedic Service to bring remote patient monitoring (RPM) to seniors in the community. This client 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.