Condensed Interim Consolidated Financial Statements of 2024

For the Three Months Ended March 31, 2024 and March 31, 2023
(Unaudited - Expressed in Canadian Dollars)

CLOUD DX

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2024 and December 31, 2023 (stated in CAD dollars, unless otherwise stated)

	March 31, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	**$ 133,948**	$ 259,893
Restricted cash (Note 5)	**60,060**	60,060
Trade and other receivables (Note 6)	**360,530**	313,029
Inventories (Note 7)	**111,807**	110,475
Prepaid expenses and deposits	**55,161**	64,137
Contract assets	**-**	27,877
	721,506	835,471
Non-current assets		
Intangible assets (Note 8)	**303,030**	334,380
Property, plant and equipment (Note 9)	**47,850**	56,259
Right of use asset (Note 12)	**422,119**	476,185
Inventories (Note 7)	**339,223**	339,223
TOTAL ASSETS	**$ 1,833,728**	$ 2,041,518
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Trade and other payables	**$ 4,731,671**	$ 4,355,900
Deferred income (Note 19 and 21)	**292,541**	249,507
Current portion of lease liabilities (Note 12)	**246,947**	258,938
Advances from related parties (Note 17)	**432,683**	330,925
Loans from related parties (Note 17)	**806,806**	23,321
Current portion of loan payable (Note 16)	**274,410**	384,359
Current portion of convertible debt (Note 14)	**10,142,085**	9,185,555
	16,927,143	14,788,505
Non-current liabilities		
Lease liabilities (Note 12)	**239,833**	280,462
Loan payable (Note 16)	**231,682**	246,495
Convertible debt (Note 14)	**4,419,361**	4,536,118
TOTAL LIABILITIES	**21,818,019**	19,851,580
SHAREHOLDERS' DEFICIT		
Share capital (Note 10)	**33,087,256**	33,036,261
Contributed surplus (note 17)	**177,265**	177,265
Deficit	**(62,741,007)**	(60,520,690)
Share-based payment reserve (Note 11)	**6,279,431**	6,269,065
Warrant reserve	**1,565,691**	1,565,691
Conversion feature on convertible debt (Note 14)	**1,643,855**	1,643,855
Accumulated other comprehensive loss	**3,218**	18,491
TOTAL EQUITY	**(19,984,291)**	(17,810,062)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	**$ 1,833,728**	$ 2,041,518

See accompanying notes to consolidated financial statements.

On behalf of the Board:

/s/ Constantine Zachos (Director) and /s/ Michele Middlemore (Director)

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Consolidated Interim Consolidated Statements of Loss and Comprehensive Loss

For the Three Months ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

		March 31 2024		March 31 2023
Revenue				
Subscription revenue	$	**269,360**	$	217,669
Product sales		**86,269**		317,019
Professional services		**346,924**		32,166
Other		**5**		1,152
		702,558		568,006
Cost of inventories sold		**(37,946)**		(179,081)
Gross profit		**664,612**		388,925
Operating expenses:				
Advertising and promotion		**(30,770)**		(107,464)
Amortization & depreciation		**(106,556)**		(126,338)
Dues and memberships		**(80,629)**		(111,449)
Insurance		**(23,343)**		(55,334)
Office and data		**(174,542)**		(143,651)
Professional fees		**(387,645)**		(336,848)
Research		**(27,247)**		(18,668)
Salaries, wages and benefits		**(1,023,441)**		(1,674,575)
Share-based compensation		**(10,366)**		-
Travel		**(23,954)**		(23,292)
Other general and administrative		**(597)**		(1,931)
		(1,889,090)		(2,599,550)
Operating loss		**(1,224,478)**		(2,210,625)
Other (expenses)/ income:				
Foreign exchange loss		**392**		(181)
Interest expense		**(1,027,109)**		(569,581)
Government funding and grant income		**48,968**		80,887
Transaction fees and listing expense		**(18,092)**		(2,180)
		(995,841)		(491,055)
Loss before income taxes		**(2,220,317)**		(2,701,680)
Income taxes		**-**		-
Net Loss		**(2,220,317)**		(2,701,680)
Other comprehensive income (loss): Foreign exchange translation adjustment		**(15,273)**		40,425
Comprehensive Loss		**(2,235,590)**		(2,661,255)
Basic and diluted loss per share	$	**(0.02)**	$	(0.04)
Weighted average number of shares outstanding		**93,472,400**		75,398,374

See accompanying notes to consolidated financial statements.

Consolidated Interim Consolidated Statements of Changes in Shareholders' Deficit

For the Three Months ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

	Number of shareholders' shares (Note 10)	Share capital (Note 10)	Share-based payment reserve (Note 11)	Warrants reserve (Note 10 and 14)	Conversion feature (Note 14)	Other Equity	Accumulated other comprehensive loss / (income)	Deficit	Total
January 1, 2023	72,094,396	$ 30,260,087	$ 6,049,565	$ 1,530,146	$ 573,498	$ 138,464	$ (23,391)	$ (50,175,076)	$ (11,646,707)
Private placement	6,010,258	763,287	-	99,571	-	-	-	-	862,858
Contributed surplus	-	-	-	-	-	38,801	-	-	38,801
Conversion of debt	13,241,731	1,811,884	-	-	-	-	-	-	1,811,884
Shares for debt	340,335	35,000	-	-	-	-	-	-	35,000
Issuance cost	-	(36,347)	-	(64,026)	(33,551)	-	-	-	(133,924)
Share-based compensation	-	-	219,500	-	-	-	-	-	219,500
Warrant exercise	10,000	1,350	-	-	-	-	-	-	1,350
Asset purchase	1,435,714	201,000	-	-	-	-	-	-	201,000
Recovery of deferred tax on issurance cost	-	-	-	-	(433,907)	-	-	-	(433,907)
Conversion feature of convertible debt	-	-	-	-	1,537,815	-	-	-	1,537,815
Net loss and comprehensive loss for the year	-	-	-	-	-	-	41,882	(10,345,613)	(10,303,731)
December 31, 2023	93,132,434	33,036,261	6,269,065	1,565,691	1,643,855	177,265	18,491	(60,520,689)	(17,810,062)
Conversion of debt	339,966	50,995	-	-	-	-	-	-	50,995
Share-based compensation	-	-	10,366	-	-	-	-	-	10,366
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(15,273)	(2,220,317)	(2,235,590)
March 31, 2024	93,472,400	$ 33,087,256	$ 6,279,431	$ 1,565,691	$ 1,643,855	$ 177,265	$ 3,218	$ (62,741,007)	$ (19,984,291)

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Condensed Interim Consolidated Statements of Cash Flows

For the Year Ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

	March 31, 2024	**March 31, 2023**
Cash flows used in operating activities		
Net loss	**$ (2,220,317)**	$ (2,701,680)
Items not affecting cash:		
Depreciation of property, plant and equipment and right-of-use	**66,832**	86,869
Amortization of intangible assets	**38,596**	39,469
Share-based compensation	**10,366**	-
Interest expense on lease liabilities (Note 12)	**12,811**	19,421
Interest accretion on FedDev loan (Note 16)	**10,181**	10,873
Interest expense on convertible debt (Note 14)	**883,134**	436,297
Changes in working capital (Note 15)	**490,628**	606,776
Amortization of issuance cost (Note 14)	**7,633**	57,307
Net foreign exchange gain	**10,038**	7,384
Net cash flows used in operations	**(690,098)**	(1,437,284)
Cash flows used in investing activities:		
Purchase of intangible assets (Notes 8 & 10)	**-**	(236,828)
Net cash flows from (used in) investing activities	**-**	(236,828)
Cash flows used in financing activities		
Proceeds from the issuance of units (Note 10)	**-**	897,493
Proceeds from advances from investors (Note 17)	**(114,115)**	231,400
Payment for lease obligation (Note 13)	**(70,271)**	(79,533)
Proceeds from related party loans (Note 18)	**773,538**	613,805
Related party interest (Note 18)	**-**	29,874
Proceeds from FedDev Loan (Note 17)	**(24,999)**	-
Net cash flows from (used in) financing activities	**564,153**	1,693,039
Effect of exchange rate changes on cash and cash equivalents		
Effect of exchange rate changes on cash and cash equivalents	**-**	(2)
Net cash used by other activities	**-**	(2)
Net cash increase (decreases) in cash and cash equivalents	**(125,945)**	18,925
Cash and cash equivalents at beginning of period	**319,953**	129,596
Cash and cash equivalents at end of period	**$ 194,008**	$ 148,521

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.

March 31, 2024 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 March 31, 2024, the Company had a deficit of $62,741,007 (December 31, 2023 – $60,520,690). During the three months ended March 31, 2024, the Company incurred a net loss of $2,220,317 and negative operating cashflows of $690,098 (March 31, 2023 – net loss of $2,701,680 and negative operating cashflows of $1,437,284 respectively). As at March 31, 2024, the Company's current liabilities exceeded its current assets by $16,205,637 (December 31, 2023 – $13,953,034).

The Company's ability to continue as a going concern is dependent upon its ability to raise either equity and debt financing and on the ability to sell patient monitoring hardware and software and obtain profitable operations.

The Company will need both the continued support of its existing lenders, and to raise significant additional financing either equity issuances, additional debt financings, and/or sales of assets in order to be able to meet both its existing and future obligations.

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 financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. Failure to continue as a going concern would require adjustments to assets and liabilities, the reported revenues and expenses, and balance sheet classifications used, which could differ materially from the going concern basis. Hence such adjustments would be material to the financial reporting of the Company.

Note 3. Significant Accounting Policies

Statements of compliance

The consolidated financial statements of Cloud DX Inc. (the "Cloud DX" or the "Company") have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2024.

Basis of measurement and presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company subsequent to the transaction. The Company’s wholly owned subsidiaries in Canada and United States, have functional currencies in Canadian dollars (“CAD”) and United States dollars (“USD”), respectively.

Basis of consolidation

The Company's consolidated financial statements include the accounts of the public company entity, Cloud DX Inc, and its wholly owned Canadian-based subsidiary, 12632926 Canada Ltd, which in turn has a wholly owned US-based subsidiary, Cloud DX, Inc. Cloud DX, Inc. has a Canadian-domiciled subsidiary, Cloud Diagnostics Canada ULC which make up Cloud DX (together the "Company").

The acquisition method of accounting is used to account for business combinations by the group. The ownership interest in the subsidiary was by incorporation hence, no goodwill exists in the consolidated financial statements. The year end of the subsidiaries is also December 31.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to ensure consistency with those used by other members of the group.

Intercompany transaction balances and unrealized gains on transactions between group companies are eliminated upon consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

These consolidated financial statements include the accounts of the Corporation and its subsidiaries.

Subsidiary	Jurisdiction	Functional Currency	Ownership
12632926 Canada Ltd.	Ontario, Canada	Canadian Dollars	100%
Cloud DX, Inc. ("CDX") (i)	Delaware, USA	United States Dollars	100%
Cloud Diagnostics Canada ULC (ii)	British Columbia, Canada	Canadian Dollars	100%

(i) Cloud DX, Inc. is a wholly owned subsidiary of 12632926 Canada Ltd.

(ii) Cloud Diagnostics Canada ULC is a wholly owned subsidiary of Cloud DX, Inc.

Note 4. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS 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 financial statements and the reported amounts of revenue and expenses during the year. The estimates and judgements applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2023.

Note 5. Restricted cash

As at March 31, 2024, the Company had $60,060 ($60,060 in 2023) 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, 2024 and were reinvested for another 12 months. The credit facility was established in 2023.

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 6. Trade receivables

	March 31 2024	December 31 2023
Trade receivables	**$ 360,061**	$ 260,876
Harmonized Sales tax receivable	**8,343**	59,839
Less expected credit losses	**(7,874)**	(7,686)
Total	**$ 360,530**	$ 313,029

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

	March 31 2024	December 31 2023
Finished goods	**$ 111,807**	$ 110,475
Goods in work in progress (long-term)	**339,223**	339,223
Total	**$ 451,030**	$ 449,698

Inventory related to sales recognized as cost of goods sold during the period ended March 31, 2024 amounted to $37,946 (March 31, 2023 - $179,081). The Company has classified inventory as long-term where the expected sale is beyond one year from March 31, 2024.

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

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Note 8. Intangible assets

Intangible assets include intellectual property acquired from a third party. Intangible assets are held by Cloud DX, Inc. and are located in the United States of America.

The movements of the Company's intangibles are summarized as follows:

	Intellectual Property
Costs	
Balance at December 31, 2022	**$ 1,580,966**
Additions	**235,620**
Foreign exchange difference	**(41,284)**
Balance at December 31, 2023	**1,775,302**
Foreign exchange difference	**43,490**
Balance at March 31, 2024	**1,818,792**
Accumulated amortization and impairment	
Balance at January 01, 2023	**(1,317,471)**
Amortization	**(158,657)**
Foreign exchange difference	**35,206**
Balance at December 31, 2023	**(1,440,922)**
Amortization	**(38,596)**
Foreign exchange difference	**(36,244)**
Balance at March 31, 2024	**(1,515,762)**
Carrying amounts	
Balance at December 31, 2023	**334,380**
Balance at March 31, 2024	**$ 303,030**

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

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

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
Cost						
January 01, 2023	$ 129,789	$ 27,270	$ 9,757	$ 102,627	$ 60,338	$ 329,781
Foreign exchange	(90)	(70)	-	(328)	-	(488)
December 31, 2023	129,699	27,200	9,757	102,299	60,338	329,293
Foreign exchange	93	72	-	339	-	503
March 31, 2024	129,792	27,272	9,757	102,638	60,338	329,796
Accumulated depreciation						
January 01, 2023	99,825	20,101	9,757	61,853	18,343	209,879
Amortization	29,355	2,161	-	16,863	14,681	63,060
Foreign exchange	519	(428)	-	4	-	95
Balance at December 31, 2023	129,699	21,834	9,757	78,720	33,024	273,034
Amortization	-	447	-	4,301	3,680	8,428
Foreign exchange	93	62	-	330	-	484
March 31, 2024	129,792	22,343	9,757	83,351	36,704	281,946
Carrying amounts						
Balance at December 31, 2023	-	5,366	-	23,579	27,314	56,259
Balance at March 31, 2024	$ -	$ 4,929	$ -	$ 19,287	$ 23,634	$ 47,850

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

	March 31 2024	December 31 2023
Property and equipment, net		
Canada	**47,086**	55,399
United States of America	**764**	860
Total property and equipment, net	**47,850**	56,259

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 10. Share capital

Authorized and issued

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

	Number of Shares		Total Value
Balance at January 01, 2023	**72,094,396**	**$**	**30,260,087**
Warrant exercise	10,000		1,350
Asset purchase	1,435,714		201,000
Private placement (net of issuance cost)	6,010,258		726,940
Conversion of debt	13,241,731		1,811,884
Shares for debt service	340,335		35,000
Balance at December 31, 2023	**93,132,434**		**33,036,261**
Conversion of debt	339,966		55,995
Balance at March 31, 2024	**93,472,400**		**33,087,256**

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 11. Share-based payments

During the three months ended March 31, 2024, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of $10,366 (2023 - $nil).

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 March 31, 2024 and December 31, 2023

		Weighted Average Exercised Price per Share Option	Number of Options
As at January 01, 2023	$	**0.58**	3,006,969
Granted during the year	$	**0.10**	3,550,000
Forfeited during the year	$	**0.48**	(504,987)
As at December 31, 2023	**$**	**0.32**	6,051,982
As at March 31, 2024	**$**	**0.32**	6,051,982
Vested and exercisable at December 31, 2023		**0.34**	5,234,186
Vested during the year			117,796
Vested and exercisable at March 31, 2024	**$**	**0.34**	5,351,982

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

Grant Date	Expiry Date	Exercise price		# of Share options March 31, 2024	December 31, 2023
Apr 2021	Apr 2026	$0.48-$0.65		2,098,594	2,098,594
Feb 2022	Feb 2027	$	0.35	403,388	403,388
Dec 2023	Dec 2028	$	0.10	3,550,000	3,550,000

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 11. Share-based payments

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

Grant Date	# of Share options March 31, 2024	# of Share options December 31, 2023
Total	**6,051,982**	**6,051,982**
Weighted average remaining contractual life of options outstanding at end of period (in years)	3.84	3.84

Note 12. 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

The following is a summary of the right of use asset and lease liabilities as reported on the statement of financial position:

	March 31, 2024	December 31, 2023
Right of use assets		
Opening right of-use asset	**$ 1,057,867**	$ 1,456,802
New leases	**-**	242,355
Termination of lease	**-**	(639,065)
Foreign exchange	**11,487**	(2,225)
Closing right of use asset	**1,069,354**	1,057,867
Accumulated depreciation		
Opening accumulated depreciation	**(581,681)**	(557,661)

Note 12. Leases

	March 31, 2024	December 31, 2023
Depreciation for the period	**(58,405)**	(262,742)
Termination of lease	**-**	235,545
Foreign exchange	**(7,149)**	3,177
Closing accumulated depreciation	**(647,235)**	(581,681)
Right of use assets, net	**422,119**	476,185
Lease liabilities		
Opening Lease Liability	**539,400**	1,042,379
Accretion/payment during the year	**15,214**	74,762
Principal payments	**(72,839)**	(313,990)
New leases	**-**	242,355
Termination of lease	**-**	(501,500)
Foreign exchange	**5,005**	(4,606)
Total	**$ 486,780**	$ 539,400

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 19%.

Right-of-use assets are amortized over the expected average lease term of 2-4 years (2023 – 3-5 years).

Note 13. 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 December 31, 2023.

As at March 31, 2024 and 2023, a 5% increase/decrease in the currency rate would increase/decrease the net loss by less than $9,000.

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Liquidity risk

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

	Payments Due March 31, 2024			
	Total	**less than 1 year**	**Payments due 1-3 years**	**After 3 years**
Trade payables and accrued liabilities	$ 4,731,671	$ 4,731,671	$ -	$ -
Lease liabilities	486,780	246,947	239,833	-
Advances from related parties	432,683	432,683	-	-
Loans from related parties	806,806	806,806	-	-
Loan payable	506,092	274,410	231,682	-
Convertible debt principal	14,561,446	10,142,085	4,419,361	-
Total	**$ 21,525,478**	**$ 16,634,602**	**$ 4,890,876**	**$ -**

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 March 31, 2024 and 2023, 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.

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 14. Convertible debentures

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

Debentures	**Debt host value**	**Fair value of warrants**	**Conversion feature**	**Total**
Balance at January 01, 2023	$ 7,275,583	$ 334,829	$ 573,498	$ 8,183,910
Convertible debt issued (net of issuance cost)	8,115,265	-	1,504,264	9,619,529
Convertible debt extinguished (net of issuance cost)	(3,838,550)	-	-	(3,838,550)
Convertible debt modified (net of issuance cost)	(190,690)	-	-	(190,690)
Issuance of broker warrants	-	16,078	-	16,078
Recovery of tax on issuance cost	-	-	(433,907)	(433,907)
Interest and accretion expense	1,920,889	-	-	1,920,889
Amortization of issuance cost	439,177	-	-	439,177
Balance at December 31, 2023	**13,721,674**	**350,907**	**1,643,855**	**15,716,436**
Conversion of convertible debt to shares	(50,995)			(50,995)
Interest and accretion expense	883,134			883,134
Amortization of issuance cost	7,633	-	-	7,633
Balance at March 31, 2024	**14,561,446**	**350,907**	**1,643,855**	**16,556,208**
Current	10,142,085	350,907	1,643,855	12,136,847
Non-current	4,419,361	-	-	4,419,361
Total	**$ 14,561,446**	**$ 350,907**	**$ 1,643,855**	**$ 16,556,208**

i. On March 28, 2024, the Company settled a portion of its convertible debentures ($50,995) issued on July 6, 2022 and amended on July 6, 2023, as a result of an investor exercising the conversion feature to acquire 339,966 of the Company's shares at a conversion price of $0.16 per share.

ii. The Company issued the following convertible debentures during the fiscal years 2023:

   a. On December 28, 2023, the Company issued 2,052 $1,000 convertible debentures for total gross proceeds of $2,052,000. 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 the holder at any time before maturity date of December 28, 2026. Fair value of the host debt was calculated using market interest rate of 28.5% and the remaining transaction price was allocated to conversion feature classified as equity.

   b. On September 8, 2023, the Company issued 3,546 $1,000 convertible debentures for 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 the holder at 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 28.5% and the remaining transaction price was allocated to conversion feature classified as equity.

iii. The Company amended the terms of the following convertible debentures during the fiscal year 2023:

a. On July 6, 2023, the Company extended the maturity date of 1,990 units of $1,000 convertible debentures issued on July 6, 2022, by twelve months to July 6, 2024. The Company has determined that the extension of the term is not a substantial modification of the original agreement, and therefore, the carrying amount of the original debt has been adjusted by the net present value of changes to the future contractual cash flows of $190,690, which has been recorded as an expense within the line item – "Loss on extinguishment of debt" in the Consolidated Statements of Loss and Comprehensive Loss in the Company's annual consolidated financial statements for the year ended December 31, 2023.

b. On September 8, 2023, the Company amended the terms of 4,207 units of $1,000 convertible debentures issued on October 1, 2021 (2,192 units), January 27, 2022 (1,575 units), March 18, 2022 (260 units) and April 14, 2022 (180 units), as follows:

- The interest rate was increased from 10% to 18% starting April 1, 2023;
- The interest shall be payable on the earlier of the conversion date and the maturity, 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 conversion price was reduced from $0.35 per share to $0.15 per share;
- Accrued and unpaid interest from January 1, 2023 to March 31, 2023 owed pursuant to the original debenture agreements has been settled through the issuance of additional convertible debentures; and
- The exercise price of the warrants attached to the debentures was reduced from $0.50 per share to $0.19 per share.

The Company determined that the above amendments were so fundamental that immediate derecognition of the original debentures was required. As such, the carrying amounts of the original debentures, net of issuance costs, were extinguished and new debentures were recognized at their fair values using market interest rate of 28% (consideration paid). The difference of $305,378 between the carrying amounts of the debentures extinguished and the consideration paid, which has been recorded as an expense within the line item – "Loss on extinguishment of debt" in the Consolidated Statements of Loss and Comprehensive Loss in the Company's annual consolidated financial statements for the year ended December 31, 2023.

In the absence of clear IFRS guidance on the accounting treatment of the equity conversion feature and the warrants attached to the original convertible debentures extinguished, the Company adopted the accounting policy to not adjust the carrying amounts these attached equity instruments consistent with industry guidance.

iv. The Company entered into the following other transactions during the fiscal year December 31, 2023:

a. The Company entered into a debt settlement agreement dated December 7, 2023 (the "Debt Settlement Agreement") with an employee of the Company, pursuant to which the Company agreed to settle $35,000 of debt through the issuance of 340,335 Common Shares at a deemed price of $0.1028 per Common Share. The Debt Settlement Agreement and the issuance of the Common Shares thereunder are subject to the approval of the TSXV.

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 15. Supplementary cash flow information

Change in working capital

		March 31 2024		December 31 2023
Trades and other receivables	**$**	**(47,501)**	$	(146,062)
Prepaid expenses		**8,976**		35,087
Inventory		**(1,332)**		26,472
Contract Assets		**27,877**		670
Related parties		**101,758**		60,005
Deferred income		**43,034**		(115,211)
Trade and other payable		**375,771**		968,342
Total change in working capital	**$**	**508,583**	$	829,303

For the years ended March 31, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 16. Loan Payable

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

The Company has recognized $nil ($nil in March 31, 2024) 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 March 31, 2024 is $331,678 ($346,495 in 2023) after assuming a discount rate of 20.00% (20.00% in 2024) to calculate the portion attributable to government funding.

The current portion of loan payable also includes demand loans from third parties in the amount of $174,415, including principal and interest thereon.

Note 17. Related party transactions

During the three months ended March 31, 2024, the Company has recorded an expense associated with consulting fees and wages to directors and officers and their wholly owned companies of $25,500 (March 31, 2024 - $25,500). During the period ended March 31, 2024, the Company incurred director fee expenses of $9,000 ($9,000 - March 31, 2023).

The advances to/from related parties of $432,683 (2023 - $330,925), relate to advances to/from certain directors and officers of the Company. These amounts have no fixed repayment terms, are unsecured and are non-interest bearing.

During the period ended March 31, 2024, loans having a face value of $nil ($1,639,000 in 2023) were converted to Secured Convertible Debentures, and $nil ($1,797,884 in 2023) were converted to Units, with a balance of related party loans of $806,806 outstanding as at March 31, 2024 ($23,321 – December 31, 2023) (Refer to Notes 9 and 14 for details on conversions). During the period ended March 31, 2024, a total of $nil (2023 - $218,371) of related party loans were repaid.

For the three months ended March 31, 2024, 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:

		March 31, 2024		March 31, 2023
Contractor expense for services	$	**25,500**	$	25,500
Wages		**110,263**		157,791
Directors’ fees		**9,000**		9,000
Total key management compensation	$	**144,763**	$	192,291

Note 18. Government assistance and grants

During the three months ended March 31, 2024, the Company received various grants totaling $nil ($437,107 – March 31, 2023).

In March 31, 2024, the total of grants received and deferred grant income from prior year recognized as income was December 31, 2023 (2023 - December 31, 2023). As at March 31, 2024, $110,112 (2023 - $412,539) has been deferred for recognition in the future on a consistent basis with recording the related expense.

Note 19. Subsequent events

On April 8, 2024, the Company announced a non-brokered private placement (the "Private Placement") for gross proceeds of up to $2,800,000 through the issuance of up to 23,333,334 units (each, a "Unit") of the Company at a price of $0.12 per Unit. The Company reserves the right to oversubscribe the Private Placement by up to $500,000, pursuant to which the Company may sell an additional 4,166,667 Units, should there be significant additional demand. Each Unit shall consist of one common share (a "Common Share") in the capital of the Company and one transferable share purchase warrant (a "Warrant"), with each Warrant entitling the holder thereof to acquire one additional Common Share at a price of $0.18 per share until 36 months following closing. On May 27, 2024 the Company announced that the closing date for the private placement had been extended until June 28, 2024.

On April 9, 2024, the Company announced the execution on March 26, 2024 of new Master Deployment Agreements for Cloud DX RPM Services with Beausoleil First Nation Paramedic Service and an Ontario County Paramedic Service. These agreements have a term of 24 months; including the purchase of products, subscriptions and bundled services. On April 18, 2024, the Company renewed a 24-month Master Deployment Agreement with the Guelph Wellington City of Guelph Paramedic Services. The aggregate value of these contracts is approximately $380,000.

On May 21, 2024 the Company announced the terms of the Remote Patient Monitoring Agreement for Cloud DX RPM Services with the British Columbia Provincial Health Services Authority (BC-PHSA), initially announced on May 7, 2024. On May 17, 2024 BC-PHSA posted the Award of the contract at BCBid.gov.ca, with a value of $9,412,277.06. The contract has a term of 36 months with 2 extensions. The average contract value of each individual patient subscription is expected to be approximately $1,520 CAD per year which covers the cost of the Connected Health Kit prescribed to each patient, software, and connectivity. Certain additional fees, including customizations and integrations can be added on an as-needed basis.

Management's Discussion and Analysis

For the Three Months Ended March 31, 2024 and 2023

BACKGROUND

This interim MD&A for Cloud DX Inc. for the three months ended March 31, 2024 and 2023 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 consolidated financial statements as at and for the three months ended March 31, 2024 and 2023, its audited consolidated financial statements at December 31, 2023 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, 2023 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 **May 29, 2024**, 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

Over 90% of American healthcare spending goes to adults with chronic illnesses, with congestive heart failure (CHF - 6.2M adults) and chronic obstructive pulmonary disease (COPD - 16M adults) as the two most prevalent and expensive conditions[1]. WHO mortality and disease burden projections state that COPD will be the third leading cause of death worldwide by 2030.[2]

For COPD and CHF, patients are evaluated by stage, where stage 3 and 4 of either condition are clear targets for Cloud DX monitoring. These are incurable diseases and leading causes of death. Data from sources including the CDC[3] and the American Lung Foundation[4] show that 7M US adults over 65 have late-stage COPD and 1.8M have an under 5-year mortality rate. For CHF[5], there are 6.2M adults diagnosed, with 2.7M having <5 years mortality[6] - a total market of 13.2M adults >65 (Medicare beneficiaries) of whom 4.5M are within 5 years of death from these conditions.

Current RPM insurance reimbursement is about $1,000 CAD/year in the US so these complex chronic disease patients represent a $4.5B available market (the sickest patients, who are most in need of monitoring). In the US in 2020, there were more than 335,000 COPD hospitalizations, 925,000 COPD emergency department visits[7] and 12% of COPD patients admitted[8] ended up in the ICU. Average COPD hospitalization cost is $19,000 USD per exacerbation[9]. COPD represents $7.4B in costs to the system, much of which could have been prevented by prescribing RPM, demonstrating the ROI that led to the creation of the RPM CPT codes in the first place.
A report released in 2023 by Definitive Healthcare[10] noted the very fast scale up of RPM reimbursement in the US. Total claims volumes across 10 CPT codes that pay for RPM rose by 1,294% from January 2019 through November 2022. The report shows that in 2022, the code that pays for RPM equipment (CPT 99454) was billed

500K times (ave $65 ea., total $32.5M); the codes that pay the physician to review the data (CPT 99457-99458) were billed 815K times (ave $45 ea., total $36.7M).

SOURCES

(1) CDC Chronic Disease Prevalence in the US: Sociodemographic and Geographic Variations by Zip Code Tabulation Area, Feb 29, 2024.

(2) Mathers CD, Loncar D. Projections of global mortality and burden of disease from 2002 to 2030. PLoS Med. March 2006

(3) Current Progress of COPD Early Detection: Key Points and Novel Strategies. Int J Chron Obstruct Pulmon Dis. 2023; 18: 1511–1524.

(4) American Lung Association, COPD Trends Brief. https://www.lung.org/research/trends-in-lung-disease/copd-trends-brief

(5) Heart Failure Epidemiology and Outcomes Statistics: A Report of the Heart Failure Society, Journal of Cardiac Failure, Oct 2023

(6) Heart Failure with Preserved, Borderline, and Reduced Ejection Fraction: 5-Year Outcomes, https://www.sciencedirect.com

(7) Boersma P, Black LI, Ward BW. Prevalence of Muldple Chronic Condidons Among US Adults, 2018. Prev Chronic Dis 2020

(8) The rate of ward to intensive care transfer and its predictors among hospitalized COPD patients. BMC Pulmonary Medicine November 2023

(9) 2021 MIPS Cost: Inpatient Chronic Obstructive Pulmonary Disease (COPD) Exacerbation Measure https://mdinteractive.com

(10) Realizing the Potential of Remote patient Monitoring https://www.definitivehc.com/resources/research/remote-patient-monitoring

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

2024 Highlights

From January 1, 2024 to March 31, 2024, the following developments occurred:

Cloud DX continued to experience strong sales growth in the first quarter of 2024, as new clients signed commercial agreements and existing clients extended their contracts and/or expanded their RPM programs.

SALES: The Company announced 11 contracts for Connected Health products and services. Renewing customers included 3 hospitals, 2 primary care clinics, 2 family health teams, 5 community paramedic services, the Canadian Lung Health Foundation and a Provincial health department. Including orders for new Connected Health Kits and projected annual recurring revenues, completed renewals are expected to generate $1.25 million revenue, of which $410,000 is expected to flow in 2024.

As of May 30, 2024 Cloud DX has now announced 26 new contracts, renewals or purchase orders valued at over $14 million since January 1, 2024, along with new customers VHA Home HealthCare, Sanrai International and Ottawa Hospital Research Institute, and British Columbia Provincial Health Services Authority.

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

On March 19, 2024, the Company announced certain convertible debenture holders (the "Creditors") have agreed to convert an aggregate principal amount of $3,187,000, prior to the applicable maturity date, into common shares in the capital of the Company (the "Common Shares"). As consideration for such early conversion of the convertible debentures, the Company has agreed to accelerate an aggregate of $180,585 of interest from the applicable maturity date to the date on which the convertible debentures are converted.

On April 8, 2024, the Company announced a non brokered private placement (the "Private Placement") for gross proceeds of up to $2,800,000 through the issuance of up to 23,333,334 units (each, a "Unit") of the Company at a price of $0.12 per Unit. The Company reserves the right to oversubscribe the Private Placement by up to $500,000, pursuant to which the Company may sell an additional 4,166,667 Units, should there be significant additional demand. Each Unit shall consist of one common share (a "Common Share") in the capital of the Company and one transferable share purchase warrant (a "Warrant"), with each Warrant entitling the holder thereof to acquire one additional Common Share at a price of $0.18 per share until 36 months following closing.

PATENTS: To date in 2024, the Company has announced 1 new patent in the field of systems and methods for monitoring medication effectiveness. The US patent, 11,872,053 was granted on January 16, 2024.

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 .

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.

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 March 31, 2024, the Company had a deficit of $62,741,007 (December 31, 2023 – $60,520,690). During the three months ended March 31, 2024, the Company incurred a net loss of $2,220,317 and negative operating cashflows of $690,098 (March 31, 2023 – net loss of $2,701,680 and negative operating cashflows of $1,437,284 respectively). As at March 31, 2024, the Company's current liabilities exceeded its current assets by $16,205,637 (December 31, 2023 – $13,953,034).

The Company's ability to continue as a going concern is dependent upon its ability to raise either equity and debt financing and on the ability to sell patient monitoring hardware and software and obtain profitable operations.

The Company will need both the continued support of its existing lenders, and to raise significant additional financing either equity issuances, additional debt financings, and/or sales of assets in order to be able to meet both its existing and future obligations.

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 financial statements do not include any adjustments that would be necessary if the going concern assumption were not appropriate. Failure to continue as a going concern would require adjustments to assets and liabilities, the reported revenues and expenses, and balance sheet classifications used, which could differ materially from the going concern basis. Hence such adjustments would be material to the financial reporting of the Company.

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.

CLOUD DX

Selected Consolidated Financial Information

	March 31 2024	March 31 2023
Revenue	**$ 702,558**	$ 568,006
Cost of sales	**37,946**	179,081
Gross profit	**664,612**	388,925
Gross profit margin	**94.60%**	68.47%
Operating expenses net of depreciation, amortization and share based compensation	**(1,772,168)**	(2,473,212)
Foreign exchange gain/(loss)	**393**	(182)
Share-based compensation	**(10,366)**	-
Government funding and grant income	**48,968**	80,887
Transaction fees and listing expense	**(18,092)**	(2,180)
EBITDA	**(1,086,652)**	(2,005,762)
Amortization & depreciation	**(106,565)**	(126,338)
Interest expense	**(1,027,109)**	(569,581)
Net loss	**(2,220,317)**	(2,701,681)
Other comprehensive income (loss):		
Foreign exchange translation adjustment	**(15,273)**	40,425
Comprehensive loss	**(2,235,590)**	(2,661,256)
Basic and diluted loss per share	**$ (0.02)**	$ (0.04)

Revenue and Gross Profit

For the three months ended March 31, 2024 and 2023, overall revenue was higher by $134,552 or 23.7% mainly due to a significant increase in subscription and professional services revenue. During the period, the Company announced 16 new contracts, renewals or purchase orders valued at over $4 million since January 1, 2024, along with new customers VHA Home HealthCare, Sanrai International and Ottawa Hospital Research Institute.

Subscription revenue increased by $51,691 or 23.7%. The new contract with Population Health Research Institute (PHRI) partly contributed to this increase in sales. Existing, additional sales from Ottawa Hospital, Norfolk Paramedic Services, Guelph Paramedic Service, Peterborough County, Oxford County, Alberta Health Services and Kingston Health Sciences Centre further contributed to the increase in subscription revenue for the period.

Product sales were lower by $230,750 or 72.8% or March 31, 2024 period over period as less Connected Health Kits were shipped. Product sales came from new customers such as Medtronic, Beausoleil Family Health Centre, PHRI and Northumberland County who had signed contracts in 2023. Additional sales were realized from existing customers such as Hamilton Health Sciences, Ottawa Hospital, Southlake Regional Health Centre and Norfolk Paramedic Services.

Professional and other income increased by $313,611 or 941.3% due to more projects which the Company participated in 2024 compared to 2023. Typically, Professional Services revenue fluctuates from period to period based on the duration of contracts for those services. The bulk of revenue for the year to date came from PHRI, Southlake Regional Health Centre, and new customers such as OTO.Coach Inc and Northumberland County.

In addition, the bigger percentage of Subscription and Professional Services revenue in the Revenue mix, which attract a higher margin, combined, attributed to the overall increase of 26.6% in gross margin from 68% to 95% period over period. Typically, gross margin for Connected Health products and services vary based on the mix of Products (hardware) vs Services (subscriptions and/or Professional Services, higher margin) and the cost the Company can source the parts that make up product sales recorded in each period.

	Three Months Ended March 31,			
	2024	**2023**	**$**	***Change %***
Subscription Revenue	**$ 269,360**	$ 217,669	$ 51,691	*23.75*
Product Revenue	**86,269**	317,019	(230,750)	*(72.79)*
Professional and Other Revenue	**346,929**	33,318	313,611	*941.27*
Total Revenue	**702,558**	568,006	134,552	*23.69*
Cost of Goods Sold	**(37,946)**	(179,081)	141,135	*(78.81)*
Gross Profit	**664,612**	**388,925**	**275,687**	**70.88**
Gross Profit %	**95%**	68%	$ -	*26.60%*

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 March 31,			
	2024	**2023**	**$**	***Change %***
Salaries & wages	**$ 1,023,441**	$ 1,674,575	$ (651,134)	*(38.9)*
Professional fees	**387,645**	336,848	50,797	*15.1*
Sales, general & administrative	**169,660**	299,470	(129,810)	*(43.4)*
Office	**174,542**	143,651	30,891	*21.5*
Research & development	**27,247**	18,668	8,579	*46.0*
Amortization & depreciation	**106,555**	126,338	(19,783)	*(15.7)*
	$ 1,889,090	$ 2,599,550	$ (710,460)	*(27.3)*

Operating expenses were lower by $710,460 or 27.3% for the period ended March 31, 2024, primarily as a result of the Company's concerted cost cutting over the last twelve months around salaries & wages; sales, general & administrative; and research & development.

Salaries and wages decreased by $651,134 or 38.9% during the period, due to the Company's streamlined headcount of 39 in 2024 as compared to last year's FTE number of 57. Professional fees, paying consultants for support around corporate initiatives, capital raisings and year-end audit, were higher by $50,797 compared to the 2023 financial year.

Sales, General & Administrative costs were substantially lower by $129,810 or 43.4% owing to material cost decreases connected with the Company's IT subscriptions to service patient customers, insurance premiums, and general and administrative costs with servicing customers.

Office expenses crept up by $30,891 or 21.5% due to incremental, inflationary-adjusted increases to periodic subscriptions of software and other business licenses. Research and development costs were materially lower by $8,579 or 46.0% due to the Company incurring less in grant costs. Cloud DX Inc. only received $48,968 in government grant funding income for the three months ended March 31, 2024 as compared to $80,887 for the same period last year. Amortization and depreciation were lower by 15.7% or $19,783 in the current period relative to last year because of marginally lower net asset values associated with the Company's tangible assets as at March 31, 2024.

Other Income and Expenses

	Three Months Ended March 31,			
	2024	**2023**	**Change**	**Change %**
Foreign exchange gain/(loss)	**$ 393**	$ (181)	$ 574	(317.13)
Interest Expense	**(1,027,109)**	(569,581)	(457,528)	80.33
Government funding and grant income	**48,968**	80,887	(31,919)	(39.46)
Transaction fees and listing expense	**(18,092)**	(2,180)	(15,912)	729.92
	$ (995,840)	$ (491,055)	$ (504,785)	102.80

Other expenses were higher by $504,785 or 102.8% for the period ended March 31, 2024. Interest expense was $457,528 or 80.3% higher at $1,027,109 than in 2023 due to the Company raising over $6.7 million in convertible debt over the last twelve months, which materially increased the Company's debt interest cost for the period. The other major change for the period was government funding. The Company only received $48,968 in government grants for the three-month period ending March 31, 2024 ($80,887 in 2023).

The Company's Transaction fees and listing expense increased by $15,912 to $18,092 relative to the same period in 2023 ($2,180) due to a higher volume of TSXV exchange private placement and capital raising charges with the various tranches of capital raised in 2024.

Statement of Financial Position

	As At			
	March 31 2024	**December 31 2023**		***Change %***
Total assets	**$ 1,833,728**	$ 2,041,518	$ (207,790)	*(10.18)*
Total liabilities	**21,818,019**	19,851,580	1,966,439	*9.91*
Shareholders' equity (deficiency)	**(19,984,291)**	(17,810,062)	(2,174,229)	*12.21*
Total liabilities and shareholders' equity (deficiency)	**$ 1,833,728**	$ 2,041,518	$ (207,790)	*(10.18)*

Total Assets

As of March 31, 2024, total assets decreased by $207,790 or 10.2%. Current assets decreased by December 31, 2023, which was largely due to the $125,945 decrease in cash at bank. There was a slight decrease in prepaid expenses to $55,161 ($64,137 in 2023) and contract assets dropped to $nil ($27,877 in 2023).

The decrease in non-current assets of $207,790 was caused by the Company's termination of the old Brooklyn lease in favour of a new, lower value lease, which was to the Company's benefit and reduced the value of the right-of-use asset. Further, the Company reported lower net value of $47,850 ($56,259 in 2023) for property, plant and equipment; and the intangible assets value decreased to $303,030 ($334,380 in 2023).

Total Liabilities

Meanwhile, total liabilities as of March 31, 2024, increased by $1,966,439 or 9.9% as compared to 2023-year end. The major drivers were a $375,771 increase in accounts payable, and an increase of $839,773 in convertible debt the Company raised over the first quarter of 2024. Loans from related parties increased by $783,485 for the period, as did advances from related parties which experienced a $101,758 increase.

Certain liabilities decreased as of March 31, 2024. Lease liabilities dropped by $52,620 partly due to the reduced lease liability negotiated for the Company's Brooklyn location. The loan payable decreased by $124,762 as the Company made the monthly principal repayment on its FedDev loan.

Liquidity and Capital Resources

The table below sets out the Company's cash, restricted cash and working capital as of March 31, 2024 and 2023.

	March 31, 2024	December 31, 2023
Cash	**$ 134,948**	$ 259,893
Restricted Cash	**60,060**	60,060
Working Capital	**(16,205,637)**	(13,953,034)
Current Assets	**721,506**	835,471
Current Liabilities	**16,927,143**	14,788,505
Working Capital	**$ (16,205,637)**	$ (13,953,034)

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 decreased and the working capital deficit increased over the period. The operating cashflow deficit was $690,098, which was partly offset by the positive financing cashflow of $564,153. The Company realized a decrease of $125,945 in overall cash for the period due to higher interest expense on convertible debt and lower financing cashflows from the issuance of units and inflows from loans.

The table below sets forth the cash flows for the three months ended March 31, 2024, and 2023:

	Three Months Ended March 31,			
	2024	**2023**	**Change**	**%**
Cash from (used) in				
Operating activities	**$ (690,098)**	$ (1,437,284)	$ 747,186	*(51.99)*
Investing activities	**-**	(236,828)	236,828	*(100.00)*
Financing activities	**564,153**	1,693,039	(1,128,886)	*(66.68)*
Increase (decrease) in cash	**$ (125,945)**	$ 18,927	$ (144,872)	*(765.42)*

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 seeking additional financing through the sale of equity securities and/or through debt.

Cash

The Company's cash used in operating activities during the period ending March 31, 2024 resulted in a $690,098 deficit. This was primarily caused by the Company continuing to fund sales expansion and service customers due to operating expenses. The deficit was countered by the Company's ongoing financing activities of $564,153 from related party loans over the first quarter in 2024.

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 March 31, 2024. 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	**$ 4,731,671**	$ 4,731,671	$ -	$ -
Lease liabilities	**486,780**	246,947	239,833	-
Advances from related parties	**432,683**	432,683	-	-
Loans from related parties	**806,806**	806,806	-	-
Loan payable	**506,092**	274,410	231,682	-
Convertible debt principal	**14,612,446**	10,142,085	4,419,361	-
Total	**$ 21,525,478**	**$ 16,634,602**	**$ 4,890,876**	**$ -**

Issued and Outstanding Share Capital

	As at March 31, 2024	December 31, 2023
Common Shares	**93,472,400**	93,132,434
Total Shares issued and outstanding	**93,472,400**	93,132,434

Additionally, the Company has issued the following securities:

	As at March 31, 2024	December 31, 2023
Options	**6,051,982**	**6,051,982**
Warrants	**14,350,248**	14,340,248
Total Diluted Shares	**113,874,630**	113,524,664

For additional information on issued and outstanding share capital please refer to note 10 of the audited consolidated financial statements for the year ended December 31, 2023.

Options and warrants

Options

On March 15, 2023, the Company issued 18,585,145 Units at a price of $0.14 per Unit for aggregate gross proceeds of $2,601,921 in additional share capital from the first tranche of the private placement. On June 20, 2023, the Company issued 1,802,856 additional Units in the second tranche at a price of $0.14 per Unit for aggregate gross proceeds of $252,400. As part of the issuance costs for the first tranche, the Company issued 259,621 broker warrants valued at $11,604 and a paid $36,347 of finders' fee.

The 340,335 shares for debt service related to an employee who took part of their salary in the form of shares during the 2023 year.

The share capital as at December 31, 2023 included cash proceeds of $695,437, conversion of related party loans of $1,811,884 ($nil in 2022 - see Note 17), employee shares for debt of $35,000 and acquisition of intangible asset of $201,000 (see Note 7).

Warrants

On September 8, 2023, the Company issued 3,546 $1,000 convertible debentures for 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.

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 months ended March 31, 2024 and 2023.

During the three months ended March 31, 2024, 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:

	March 31, 2024	March 31, 2023	Change	%
Contractor expenses for services	**$ 25,500**	$ 25,500	$ -	-
Wages	**110,263**	157,791	(47,528)	*(30.12)*
Directors' fees	**9,000**	9,000	-	-
	$ 144,763	$ 192,291	$ (47,528)	*(24.72)*

Subsequent events

On April 8, 2024, the Company announced a non-brokered private placement (the "Private Placement") for gross proceeds of up to $2,800,000 through the issuance of up to 23,333,334 units (each, a "Unit") of the Company at a price of $0.12 per Unit. The Company reserves the right to oversubscribe the Private Placement by up to $500,000, pursuant to which the Company may sell an additional 4,166,667 Units, should there be significant additional demand. Each Unit shall consist of one common share (a "Common Share") in the capital of the Company and one transferable share purchase warrant (a "Warrant"), with each Warrant entitling the holder thereof to acquire one additional Common Share at a price of $0.18 per share until 36 months following closing. On May 27, 2024 the Company announced that the closing date for the private placement had been extended until June 28, 2024.

On April 9, 2024, the Company announced the execution on March 26, 2024 of new Master Deployment Agreements for Cloud DX RPM Services with Beausoleil First Nation Paramedic Service and an Ontario County Paramedic Service. These agreements have a term of 24 months; including the purchase of products, subscriptions and bundled services. On April 18, 2024, the Company renewed a 24-month Master Deployment Agreement with the Guelph Wellington City of Guelph Paramedic Services. The aggregate value of these contracts is approximately $380,000.

On May 21, 2024 the Company announced the terms of the Remote Patient Monitoring Agreement for Cloud DX RPM Services with the British Columbia Provincial Health Services Authority (BC-PHSA), initially announced on May 7, 2024. On May 17, 2024 BC-PHSA posted the Award of the contract at BCBid.gov.ca, with a value of $9,412,277.06. The contract has a term of 36 months with 2 extensions. The average contract value of each individual patient subscription is expected to be approximately $1,520 CAD per year which covers the cost of the Connected Health Kit prescribed to each patient, software, and connectivity. Certain additional fees, including customizations and integrations can be added on an as-needed basis..