CLOUD DX

Management's Discussion and Analysis

For the years ended December 31, 2023 and 2022

BACKGROUND

This MD&A for Cloud DX Inc. for the years ended December 31, 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 audited consolidated financial statements as at and for the years ended December 31, 2023 and 2022, 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 **April 29, 2024**, the date on which it was approved by the Board of Directors.

This 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. 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 the mobile Connected Health app, form the 'patient facing' part of Connected Health. Substitutions to some medical devices, smartphones and tablets (a.k.a., '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 so that they can intervene to improve patient health 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

2023 Highlights

From January 1, 2023 to December 31, 2023, the following developments occurred:

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

SALES: During the period:

- The Company announced 22 Contracts or Contract Extensions, 7 Contracts were executed with Ontario Community Paramedic Services, funded under the Community Paramedicine for Long-Term Care program (CPLTC). 3 Contracts were executed with Provincial or Territorial Health Ministries (see below). 4 Contracts were executed with Ontario Family Health Teams (FHTs). 4 Contracts were executed with Canadian Hospitals or Academic Medical Centers. 2 Contracts were executed with clinics including a US based clinic in Illinois.
- 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.
- On July 24, 2023 the Company announced that it was 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 $2,192,000 of unsecured convertible debentures issued October 1, 2021, $1,575,000 issued on January 27, 2022, $260,000 on March 18, 2022, and $180,000 on April 14, 2022 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.

- On December 29, 2023, the Company announced that, further to the Company's news release dated December 7, 2023, it has closed its previously announced non brokered private placement offering (the "Offering") of 1,942 convertible debenture units of the Company (the "Debenture Units") for aggregate gross proceeds of $1,942,000. Each Debenture Unit consists of: (i) one $1,000 18% secured convertible debenture of the Company (the "Convertible Debentures"), and (ii) 10,000 common share purchase warrants (the "Warrants"). The Convertible Debentures will mature and be repayable on the date that is thirty six (36) months from the date of issuance (the "Maturity Date"). At any time prior to the Maturity Date, the holder will be entitled to convert each Convertible Debenture into common shares of the Company (the "Common Shares") at a price of $0.10 per Common Share. Each Warrant is exercisable to acquire an additional Common Share at a price of $0.15 per Common Share for a period of three (3) years from the closing of the Offering, subject to accelerated expiry provisions following the closing of the Offering. If, at any time, the closing price of the Common Shares listed on the TSX Venture Exchange (the "TSXV") is greater than $0.30 per Common Share for twenty (20) consecutive trading days, the Company may provide written notice (a "Warrant Acceleration Notice") to the holders of the Warrants that the expiry of the Warrants shall be accelerated to a date that is not less than fifteen (15) days from the date of the Warrant Acceleration Notice.

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)

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 2024. 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

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

	2023	2022
Revenue	**$ 1,811,885**	$ 1,166,003
Inventory impairment	**111,973**	209,653
Cost of sales	**417,232**	353,454
Gross profit	**1,282,680**	602,896
Gross profit margin	**70.79%**	51.71%
Operating expenses net of depreciation, amortization and share based compensation	**(8,320,229)**	(9,756,754)
Foreign exchange loss	**(17,756)**	(11,373)
Share-based compensation	**(219,500)**	(66,429)
Government funding and grant income (Note 21)	**453,543**	493,962
Loss on extinguishment of loans from related parties (Note 17)	**(114,687)**	(36,036)
Gain on lease extinguishment (Note 12)	**97,980**	-
Transaction fees and listing expense	**(91,054)**	(18,794)
EBITDA	**(6,929,023)**	(8,792,528)
Amortization & depreciation	**(477,961)**	(498,766)
Interest expense	**(3,372,536)**	(1,599,620)
Income taxes (Note 20)	**433,907**	273,889
Net loss	**(10,345,613)**	(10,617,025)
Other comprehensive income (loss):		
Foreign exchange translation adjustment	**(41,882)**	8,077
Comprehensive loss	**(10,303,731)**	(10,625,102)
Basic and diluted loss per share	**$ (0.11)**	$ (0.15)

Revenue and Gross Profit

For the years ended December 31, 2023 and 2022, overall revenue was higher by $645,882 or 55.4% mainly due to a significant increase in subscription revenue. Subscription revenue rose by $353,837 or 69.0% 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 $93,952 or 15% 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.

Professional and other income increased by $198,093 or 446% due to more projects which the Company participated in 2023 compared to $44,372 in 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 gross profit for the year ended 2023 has increased from $602,896 to $1,282,680, resulting in an increase in gross margin percentage from 52% (2022) to 71% in 2023.

In addition, The bigger percentage of Product revenue sales in the Revenue mix, which attract a higher margin, combined, attributed to this overall increase of 19.0% in gross margin from 52.0% to 71.0% period over period. Typically, gross margin for Connected Health products and services fluctuates based on the mix of Products (hardware) vs Services (subscriptions and/or Professional Services, higher margin) and the cost the company can obtain the parts that make up product sales recorded in each period.

	Years Ended December 31,			
	2023	**2022**	**$**	***Change %***
Subscription Revenue	**$ 866,491**	$ 512,654	$ 353,837	*69.02*
Product Revenue	**702,929**	608,977	93,952	*15.43*
Professional and Other Revenue	**242,465**	44,372	198,093	*446.44*
Total Revenue	**1,811,885**	1,166,003	645,882	*55.39*
Inventory impairment	**(111,973)**	(209,653)	97,680	*(46.59)*
Cost of Goods Sold	**(417,232)**	(353,454)	(63,778)	*18.04*
Gross Profit	**1,282,680**	**602,896**	**679,784**	**112.75**
Gross Profit %	**71%**	52%	-	*19.00%*
Adjusted (excluding Inventory impairment)				
Gross Profit	**1,394,653**	812,549	582,104	*71.64*
Gross Profit %	**77%**	70%	$ -	*7.00%*

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.

	Years Ended December 31,			
	2023	**2022**	**$**	***Change %***
Salaries & wages	**$ 5,076,568**	$ 6,285,118	$ (1,208,550)	*(19.23)*
Professional fees	**1,413,096**	1,261,150	151,946	*12.05*
Sales, general & administrative	**1,002,918**	1,087,799	(84,881)	*(7.80)*
Office	**634,698**	724,759	(90,061)	*(12.43)*
Research & development	**192,994**	397,928	(204,934)	*(51.50)*
Amortization & depreciation	**477,961**	498,766	(20,805)	*(4.17)*
Share-based compensation	**219,517**	66,429	153,088	*230.45*
	$ 9,017,752	$ 10,321,949	$ (1,304,197)	*(12.64)*

Operating expenses were lower by $1,304,197 or 12.6% for the year ended December 31, 2023, largely caused by the Company's cost cutting around salaries & wages, office and, research & development.

Salaries and wages decreased by $1,208,550 or 19.23% during the year, due to rightsizing of the wage spend in April. Professional fees, paying consultants for support around corporate initiatives, capital raisings and year-end audit, were higher by $151,946 compared to the 2022 financial year.

Sales, General & Administrative costs were marginally lower by $84,881 or 7.8% owing to slight 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 were down by $90,061 or 12.43% 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 $204,934 or 51.5% lower, which was due to the Company incurring less in grant costs – as grant funding was significantly less for the year ended December 31, 2023 at $308,528 ($709,401 in 2022). Amortization and depreciation were lower by 4.2% or $20,805.0 in the current year compared to 2022 because of marginally higher net asset values of the Company's tangible assets in 2023.

Other Income and Expenses

	2023	2022	%	Change %
Foreign exchange gain/(loss)	**$ (17,756)**	$ (11,373)	$ (6,383)	*56.12*
Interest Expense	**(3,372,536)**	(1,599,620)	(1,772,916)	*110.83*
Government funding and grant income	**453,543**	493,962	(40,419)	(8.18)
Loss on extinguishment of notes payable	**(114,687)**	(36,036)	(78,651)	218.26
Gain on lease extinguishment (Note 12)	**98,042**	-	98,042	100.00
Transaction fees and listing expense	**(91,054)**	(18,794)	(72,260)	384.48
	$ (3,044,448)	$ (1,171,861)	$ (1,872,587)	159.80

Other expenses increased by 159.8% or $1,872,587 for the year ended 2023. The primary driver to the overall increase was Interest expense, which was $1,772,916 higher at $3,372,536 than in 2022 due to the Company's increased raises of convertible debt. The Company received marginally less government grants of $453,543 during the 2023 year ($493,962 in 2022).

The Company's Transaction fees and listing expense increased by $72,260 to $91,054 relative to the same period in 2022 ($72,260) due to a higher volume of TSXV exchange private placement and capital raising charges with the various tranches of capital raised in 2023.

Statement of Financial Position

	As At			
	2023	**2022**		***Change %***
Total assets	**$ 2,041,518**	$ 2,306,505	$ (264,987)	*(11.49)*
Total liabilities	**19,851,580**	13,953,212	5,898,368	*42.27*
Shareholders' equity (deficiency)	**(17,810,062)**	(11,646,707)	(6,163,355)	*52.92*
Total liabilities and shareholders' equity (deficiency)	**$ 2,041,518**	$ 2,306,505	$ (264,987)	*(11.49)*

Total Assets

As of 2022, total assets decreased by $264,987 or 11.5%. Although current assets increased by $220,853, it was the non-current assets that decreased more significantly by December 31, 2023.

The decrease in non-current assets was caused by further write-downs of $111,973 on the Company's work-in-progress inventory in it's Kitchener location of its LCD and PCBA units. The bulk of this write down are finished goods inventory items, ACER A40 tablets and JPD FR300 thermometers, stored at the Company's Kitchener head office, which have been impaired to their respective net realizable values.

Certain liabilities decreased as of December 31, 2023. Deferred income decreased by $115,211 due to the revenue recognition treatment of current period sales, which couldn't be recognized as income for 2022. Lease liabilities dropped by $502,979 partly due to the reduced lease liability negotiated for the Company's Brooklyn location. On the other side, the overall value increased by $70,884 due to the $235,620 acquisition of the cough analysis patents.

The increase in the current assets as at 2023 was courtesy of the higher sales of $1,811,885 ($1,166,003 in 2022) increasing Trade and other receivables (Note 6) by $133,329 for the current financial year. The increased Cash and cash equivalents amount of $259,893 ($69,536 in 2022) was due to the higher net cashflows from financing of $6,273,876 ($6,159,107 in 2022), which countered the larger cash outflow from operating activities of $6,081,888 ($6,155,092 in 2022).

Total Liabilities

Meanwhile, total liabilities as of 2023, increased by $5,898,368 or 42.3% as compared to 2022-year end. The major drivers were a $865,004 increase in accounts payable, and a significant increase of $6,446,090 on convertible debt that the Company raised over the 2023 financial year.

Certain liabilities decreased as of December 31, 2023. Deferred income decreased by $115,211 due to the revenue recognition treatment of current period sales, which couldn't be recognized as income for 2022. Lease liabilities (Note 12) dropped by $502,979 partly due to the reduced lease liability negotiated for the Company's Brooklyn location.

Lastly, the decreases to the Loans from related parties ($1,151,880 in 2022) to $23,321 in 2023 was caused by these loans converting to equity and convertible debentures in the December 31, 2023 financial year.

Liquidity and Capital Resources

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

Cash	**$ 259,893**	$ 69,536
Resticted Cash	**60,060**	60,060
Working Capital	**(13,953,034)**	(7,062,806)
Current Assets	**835,471**	614,618
Current Liabilities	**14,788,505**	7,677,424
Working Capital	**$(13,953,034)**	$ (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 $6,081,888 and was offset by the positive financing cashflow of $6,273,876. The Company realized an increase of $191,988 in overall cash for the year due to higher cash sales receipts and convertible debentures raised.

The table below sets forth the cash flows for the years ended December 31, 2023 and 2022:

	Years Ended December 31,	
	December 31, 2023	**December 31, 2022**
Cash from (used) in		
Operating activities	**$ (6,081,888)**	$ (6,155,092)
Investing activities	**-**	(13,075)
Financing activities	**6,273,876**	6,159,330
Increase (decrease) in cash	**$ 191,988**	$ (8,837)

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 activities during the 2022 year resulted in a December 31, 2023 deficit. This was primarily caused by the Company continuing to fund sales expansion and service customers. The deficit was countered by the Company's ongoing financing activities of $346,495 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 $360,423. 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	**$ 4,355,900**	$ 4,355,900	$ -	$ -
Lease liabilities	**539,400**	258,938	281,446	-
Advances from related parties	**330,925**	330,925	-	-
Loans from related parties	**23,321**	23,321	-	-
Loan payable	**630,854**	384,359	246,495	-
Convertible debt principal	**14,227,531**	6,564,800	7,662,731	-
Convertible debt interest payments	**1,334,386**	1,334,386	-	-
Total	**$21,452,317**	$13,261,645	$ 8,190,672	-

Issued and Outstanding Share Capital

	December 31, 2023	December 31, 2022
Common Shares	**93,132,434**	72,094,396
Total Shares issued and outstanding	**93,132,434**	72,094,396

Additionally, the Company has issued the following securities:

	December 31, 2023	December 31, 2022
Options	**6,051,982**	3,006,969
Warrants	**20,388,003**	14,340,248
Total Diluted Shares	**113,534,664**	89,441,613

For additional information on issued and outstanding share capital please refer to note 10 of the audited consolidated financial statements for the year ended 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 8).

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 Consolidated Financial Statements for the years ended December 31, 2023 and 2022.

During the twelve months ended December 31, 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:

	2023	2022	Years Ended December 31,	%
Contractor expenses for services	**$102,000**	$155,667	$(53,667)	*(34.5)*
Wages	**441,186**	496,769	(55,583)	*(11.2)*
Share-based benefits	**-**	10,870	6,000	*100.0*
Directors' fees	**36,000**	30,000	(30,537)	*(20.12)*
	$579,186	$693,306	$(114,120)	*(16.46)*

Subsequent events

On January 2, 2024, the Company announced a new contract with Health PEI, the Provincial Health Authority for Prince Edward Island. This new contract for Connected Health Kits and remote care monitoring services will help PEI Health support up to 300 new patients annually and is valued at approximately $1,340,000 CAD over the full extended contract. Approximate costs to deliver the Kits and services over that term are expected to be around $295,000 CAD.

On January 9, 2024, the Company announced a new contract to design a wearable that tracks ECG and other vital signs in a comfortable, wrist-based form factor. This contract is valued at $115,000 CAD, plus a success fee. Cloud DX will earn a 4.5% royalty on the gross profit of all Cloud DX-designed devices sold. In addition, Cloud DX has a right of first refusal on future statements of work that would modify, improve, or iterate on the originally Cloud DX-designed Wearable device. The term of the agreement extends to September 30, 2026.

On January 11, 2024, the Company announced separate new contracts with 2 Ontario Family Health Teams (FHTs). As part of a Grey Bruce Ontario Health Team palliative care initiative, the Hanover FHT and the Brockton and Area FHT will each deploy Cloud DX Connected Health kits and remote patient monitoring services to patients who are enrolled in palliative care programs. These three contracts for Remote Patient Monitoring represents a combined value of approx. $375,000 CAD.

On February 7, 2024, the Company announced it received a purchase order (PO) for up to 300 advanced Vitaliti™ Continuous Vital Sign Monitor Systems and related software, valued at approximately $770,000 CAD. The units will be manufactured at the Company's Kitchener ON facility and are expected to be delivered by the end of Q2 2024. The PO specifies a 50% deposit with the balance to be paid upon delivery. These patented and patent-pending Vitaliti units are expected to be deployed in multi-site studies of post-operative patients, with the first conducted under a Health Canada ITA in advance of full Health Canada license and FDA clearance.

On February 9, 2024, the Company announced the appointment of Mr. Konstantin Othmer to the Board. Mr. Othmer has nearly 40-year history as an engineer and technologist, with operating experience at Apple Inc., Core Mobility, and CloudCar, among others. He's also a prolific investor in technology companies, making early investments in market leaders Android, Canva, Life360, Ring, Tesla and many others. Mr. Othmer will replace Mr.

Neil Fraser, who is leaving the Board to serve on the board of a Provincial Health Authority.

On February 22, 2024, the Company is pleased to announce a new Master Deployment Agreement with Lee S. Freedman MD, based in Highland Park IL. Dr Freedman's practice is affiliated with the MDVIP, a concierge medicine group with over 1,000 clinics nation-wide specializing in care for adults including those with complex chronic conditions. Dr Freedman intends to enroll approximately 125 patients who will best benefit from Remote Patient Monitoring with Cloud DX Connected Health, valuing the agreement at approximately $230,000 CAD.

On February 23, 2024, Cloud DX and the Ottawa Hospital Research Institute signed a 5-year Master Deployment Agreement to facilitate the provision of Cloud DX remote patient monitoring (RPM) technology for projects, studies and clinical trials at the Institute.

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 CAD, 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 CAD of interest from the applicable maturity date to the date on which the convertible debentures are converted.

The Company is also pleased to announce that it has entered into pooling agreements (the "Pooling Agreements") dated on or about March 6, 2024 (the "Effective Date") under which - representing a strong vote of confidence in the Company and its performance - certain shareholders (each a "Pooling Shareholder") have agreed to subject an aggregate of 26,411,896 Common Shares issued to them in connection with the conversion of the Convertible Debentures and pursuant to the Debt Settlement Agreements to voluntary pooling until the date that is the earlier of (i) twenty four (24) months from the Effective Date and (i) the first business day following the date on which the closing price for the Common Shares on the TSX Venture Exchange (the "TSXV") (or such other recognized stock exchange in Canada on which the Common Shares are then listed) is equal to or greater than $0.50 for a period of 10 consecutive trading days.

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.