



CardioComm Solutions, Inc.

Management's Discussion and Analysis

For the year ended 31 December 2019

Management's Discussion and Analysis

Financial Condition and Results of Operations

Background

This discussion and analysis of financial position and results of operations is prepared as at 15 June 2020 and should be read in conjunction with the audited financial statements of CardioComm Solutions, Inc. ("CardioComm" or the "Company") for the year ended 31 December 2019. The audited financial statements have been prepared in accordance with international Financial Reporting Standards (IFRS). Except as otherwise disclosed, all dollar figures included herein and the following Management Discussion and Analysis (MD&A) are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

The Company is a reporting issuer in British Columbia, Alberta, and Ontario, and trades on the TSX Venture Exchange under the symbol "EKG". The content of this MD&A has been approved by the board of directors of the Company (the "Board"), on the recommendation of its Audit Committee.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This Management Discussion and Analysis may include forward-looking statements with respect to business plans, activities, prospects, opportunities and events anticipated or being pursued by the Company and the Company's future results. Although the Company believes the assumptions underlying such statements to be reasonable, any of the assumptions may prove to be incorrect. The anticipated results or events upon which current expectations are based may differ materially from actual results or events. Therefore, undue reliance should not be placed on such forward-looking information. A number of risks and uncertainties could cause actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions in North America and internationally; (2) the uncertainty as to product development and commercialization milestones; (3) the uncertainty as to the regulatory approval of the Company's technology or intellectual property; (4) the risk that the Company does not execute its business plan; (5) inability to retain key employees, (6) inability to finance operations and growth; and, (7) other factors beyond the Company's control.

Forward-looking statements speak only as of the date of this MD&A and actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors. Investors should not place undue reliance on forward-looking statements as the plans, intentions, or expectations upon which they are based may not occur. The Company does not assume responsibility for the accuracy and completeness of the forward-looking statements set out in this MD&A and, subject to applicable securities laws, does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Overall Performance

Financial Condition:

- Q4 2019 revenue was \$207,208, a decrease of 27.1% as compared to \$284,347 in Q4 2018.
- Q4 2019 Net loss and comprehensive loss was \$682,644, compared to a net loss and comprehensive loss of \$224,671 in Q4 2018, a decline of \$457,971 or 203.8%.
- Revenue for the year ended 31 December 2019 was \$874,888, compared to 2018: \$1,075,564, representing a decrease of \$200,676 or 18.7%.
- Net loss and comprehensive loss for the year ended 31 December 2019 was \$1,062,108, compared to net loss and comprehensive loss for the year ended 31 December 2018 of \$577,063, representing a decrease of \$485,045 or 84.1%.

Company Overview

The Company was incorporated under the laws of British Columbia on 26 October 1989 and operated as a computer related consulting firm until 1991. In 1992, the Company commenced activities in research and development of advanced software and hardware related to a personal heart arrhythmia monitoring system.

Effective 7 December 1998, the Company's name was changed to CardioComm Solutions Inc. and to CardioComm Solutions, Inc. effective 26 November 2007.

The Company's proprietary device connectivity and ECG management technologies are used in medical, consumer, clinical research and telemedicine solutions for the recording, transmission, viewing, analyzing, reporting and storage of electrocardiograms (ECGs), for arrhythmia screening, diagnosis and management of cardiac patients. The Global ECG Management Solutions ("GEMS™") and GlobalCardio (Cloud based GEMS™) products are licensed worldwide to hospitals, ECG commercial reading services and physician. The Company has earned the ISO 13485:2016 under MDSAP certification, is HPB approved, HIPAA compliant, and has received FDA, Health Canada, European Union CE Mark, and Chinese SFDA market clearances for software and HeartCheck™ ECG devices. CardioComm Solutions, Inc. is headquartered in Toronto, Canada.

The Company is also the first company in North America to receive Class II medical device clearances for sales of a personal ECG monitor direct to consumers. The product is marketed under the HeartCheck™ brand. The Company developed compatibility of the HeartCheck™ device to its GEMS™ and GlobalCardio™ based software to enable use of the device for remote ECG/arrhythmia monitoring services. The Company also operates a fee-for-service ECG reading service named the SMART Monitoring ECG reading service through which ECGs recorded by a HeartCheck™ device may be reviewed by an ECG reading service. The Company plans to introduce new HeartCheck™ branded ECG monitoring devices and service options on an ongoing basis.

SUMMARY OF ANNUAL INFORMATION

The following financial data has been prepared in accordance with IFRS and presents selected financial information of the Company for the last three fiscal years. This financial information is derived from the audited financial statements of the Company:

	2019	2018	2017
Total revenue	874,888	1,075,564	1,740,269
Net (loss) income	(1,062,108)	(577,063)	39,609
Net loss on a per share basis	(\$0.01)	(\$0.00)	\$0.00
Total assets	323,384	1,089,796	1,539,413
Total long-term financial liabilities	16,271	NIL	NIL

The Company's net loss and comprehensive loss for the year ended 31 December 2019 was \$1,062,108, compared to the net loss and comprehensive loss for the year ended 31 December 2018 of \$577,063, representing a decrease of \$485,045 or 84.1%.

The losses in 2019 are primarily attributed to a decrease in revenue and a large receivable write-down. Reduced sales were related to the discontinuation of production of the HeartCheck ECG PEN in favour of a new Bluetooth connected device for which sales were delayed until the launch in 2020. The HeartCheck ECG PEN had been produced primarily for one large pharmacy chain client. The Company has taken a provision for estimated credit losses for long overdue trade receivables from that large client in compliance with IFRS.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's most recent 8 quarters. This information has been prepared in accordance with IFRS and presents selected financial information for the Company.

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Total revenue	\$314,096	189,242	287,879	284,347	216,147	202,353	249,180	207,208
Net loss and comprehensive loss	(71,052)	(189,440)	(91,900)	(225,171)	(140,569)	(133,868)	(105,027)	(682,644)
Basic and diluted loss per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Total assets	1,455,409	1,262,600	1,193,573	1,089,796	1,050,210	990,177	961,652	323,384
Total liabilities	1,037,145	1,031,267	1,054,141	1,158,209	1,146,692	1,171,826	1,200,415	1,219,193

The following table shows operating results expressed as a percentage of revenue for the fourth quarter comparative over three years:

FOURTH QUARTER	2019	2018	2017
Revenue	100%	100%	100%
Cost of sales	14%	37%	14%
Operations	411%	108%	77%
Sales service & support	2%	20%	10%
Marketing	5%	4%	--
Research & development	(3%)	7%	10%
Total expenses	429%	176%	111%
Operating loss	(329%)	(76%)	(11%)
Other income	--	--	17%
Net (loss) income and comprehensive (loss) income	(329%)	(76%)	6%

*Certain data has been reclassified to conform to this year's presentation.

The following table shows revenue by product line expressed as a percentage of revenue for the fourth quarter comparative over three years:

Revenue FOURTH QUARTER	2019	2018	2017
Software	50%	48%	38%
Hardware	17%	34%	34%
Support	17%	11%	14%
Services	16%	7%	14%
	100%	100%	100%

The following table shows revenue by product line expressed as a percentage of revenue for the fourth quarter comparative over three years:

Revenue FOURTH QUARTER	2019	2018	2017
USA	45%	41%	47%
Canada	26%	42%	48%
Other	29%	17%	5%
	100%	100%	100%

Revenue

Revenue for the quarter ended 31 December 2019 was \$207,208 compared to \$284,347 for the quarter ended 31 December 2018, a decrease of 27.1%. This was largely due to a decrease in HeartCheck ECG PEN hardware sales of 64% compared to the same quarter the previous year.

Cost of sales

The Q4 2019 cost of sales was \$29,594 which represents a 73.4% decrease from \$111,296 in Q4 2018. A portion of the cost decrease is due to one-time adjustments to inventory of \$8,150 in 2019.

Operations

Operations expenses in the fourth quarter were \$852,582 for Q4 2019, an increase of 178.2% compared to the \$306,506 in Q4 2018. This difference is due, in part, by a write-down of \$117,899 for a deposit and a material allowance for estimated credit losses related to trade receivables for a client, Shoppers Drug Mart, a division of Loblaw Companies Limited.

Sales, service and support

Sales, service and support expenses, excluding cost of sales, were \$3,487 for the quarter ended 31 December 2019, compared to \$57,668 for the quarter ended 31 December 2018, a decrease of \$54,181.

Marketing

Marketing expenses were \$10,000 for the quarter ended 31 December 2019 compared to \$12,500 for the quarter ended 31 December 2018.

Research and development

Research and development expenses were (\$5,813) for the quarter ended 31 December 2019, compared to \$21,050 for the quarter ended 31 December 2018. During the quarter, certain transactions were reclassified from research and development to operations. The reduction in research and development is due to a move from an emphasis of technological innovation to the launch of newly developed technologies.

Net loss and comprehensive loss

CardioComm recorded a net loss and comprehensive loss of \$682,644 or \$0.00 net loss per share for the quarter ended 31 December 2019, compared to a net loss and comprehensive loss of \$224,672 or \$0.00 net loss per share for the quarter ended 31 December 2018. The weighted average number of shares outstanding was 139,251,505 in Q4 2019 compared to 137,216,292 in Q4 2018 due to the issuance of shares for services.

SUMMARY OF ANNUAL RESULTS

ANNUAL RESULTS	2019	2018	2017
Revenue	100%	100%	100%
Cost of sales	21%	28%	11%
Operations	180%	108%	77%
Sales service & support	11%	7%	--
Marketing	5%	2%	1%
Research & development	4%	9%	5%
Total expenses	221%	154%	94%
Operating (loss) income	(121%)	(54%)	6%
Other income (loss)	--	--	(3%)
Net (loss) earnings	(121%)	(54%)	2%

The following table shows revenue by product line expressed as a percentage of revenue for the fiscal year comparative over three years:

Revenue	2019	2018	2017
Software	56%	43%	39%
Hardware	24%	36%	21%
Support	15%	12%	11%
Services	5%	9%	29%
	100%	100%	100%

The following table shows revenue by product line expressed as a percentage of revenue for the fiscal year comparative over three years:

Revenue	2019	2018	2017
USA	50%	41%	48%
Canada	37%	42%	45%
Other	13%	17%	8%
	100%	100%	100%

Revenue

Revenue for the year ended 31 December 2019 was \$874,888 compared to \$1,075,564 for the year ended 31 December 2018, a decrease of 18.7%. The decrease in revenue is largely due to a 46% decline in HeartCheck ECG PEN hardware sales and a 57% decline in services.

Cost of sales

Cost of sales for the year was \$181,655 which represents a 38.9% decrease from \$297,332 in 2018. A portion of the cost decrease is due to one-time adjustments to inventory of \$8,150 in 2019.

Operations

Operations expenses were \$1,366,706 for the year ended 31 December 2019; an increase of \$312,475 or 29.6%, compared to \$1,054,231 for the year ended 31 December 2018. This difference is due, in part, by a write-down of \$117,899 for a deposit with the OEM manufacturer of the HeartCheck ECG PEN and an IFRS mandated material allowance for estimated credit losses related to aged trade receivables for a client, Shoppers Drug Mart, a division of Loblaw Companies related to HeartCheck ECG PEN inventory currently being sold by the client.

Sales, service and support

Sales, service and support expenses were \$98,804 for the year ended 31 December 2019, compared to \$273,792 for the year ended 31 December 2018.

Marketing

Marketing expenses were \$49,321 for the year ended 31 December 2019, (2018: \$16,606) as the Company refocused and implemented a new marketing strategy for a new Bluetooth connected HeartCheck device's sales at the end of fiscal 2019, which continues into 2020.

Research and development

Research and development expenses were \$24,562 for the year ended 31 December 2019, (2018: \$94,875), a decrease of \$70,313 or 74.1%. Research and development costs remain low as the company is now in a sales and marketing phase for technologies that are already developed. Ongoing development and the release of new iterations of core technologies can be generated with minimal research and development expenses.

Net loss and comprehensive loss

CardioComm recorded a net loss and comprehensive loss of \$1,062,108 or \$0.01 net loss per share for the year ended 31 December 2019, compared to a net loss and comprehensive loss of \$577,063 or \$0.00 loss per share for the year ended 31 December 2018. The basic and diluted weighted average number of common shares outstanding was greater with 139,521,505 at year-end 31 December 2019 (2018: 137,216,292) due to issuance of shares for services to a third party vendor, an employee, and to the board of directors in lieu of payment.

Liquidity

Operating Activities

Cash outflow was \$61,886 in the year ended 31 December 2019 (2018: \$192,532), less than the prior year by \$130,646. The year ended 31 December 2019 had a net loss of \$1,062,108 compared to a net loss and comprehensive loss of \$577,063 in the year ended 31 December 2018.

Investing Activities

Cash used for investing activities was \$8,496 in the year ended 31 December 2019 (2018: \$16,210). The investing activities were due primarily to purchases of software system licensing.

Financing Activities

Net cash acquired by financing activities was \$11,767 in the year ended 31 December 2019 (2018: \$Nil). In 2019, 547,274 shares were issued to a vendor in return for services and an additional 226,000 shares were to be issued as at 31 December 2019. In March 2019, \$100,000 of the short-term notes was retired. In December 2019, the remainder short-term note was renewed to December 2020. In 2019, sources of financing were from shares issued on the exercise of options at \$21,875 and \$112,500 proceeds from the exercise of warrants.

Cash Requirements

Short-term cash requirements are primarily related to funding of operations and marketing needs. Management continued to take steps to position the Company's operations to be cash flow positive. Management believes that its existing working capital as well as cash provided from GEMS™ software licensing, SMART Monitoring ECG readings service revenues, and HeartCheck™ CardiBeat and GEMS Sirona device sales will provide sufficient funds to maintain operations through the end of 2020. Management expects to continue to maintain its cost containment efforts and to see increases in revenue generation from HeartCheck™ branded device sales, SMART Monitoring services, GEMS™ WIN software licensing and custom non-recurrent-engineering (NRE) software development agreements. The Company also has traditionally realized revenue from equipment / device sales under preferred distribution, original equipment manufacturer (OEM) agreements with a variety of ECG monitoring manufacturers and source code licensing agreements.

The Company realizes the risk associated with the reliance on NRE revenue. The Company has been working to develop larger, stable and predictable, fee-for service, recurrent revenue streams through the planned introduction of new and wireless HeartCheck™ branded devices, that that were not available to its previously USB connected devices. Partnerships with telemedicine platforms are expected to yield revenue from the sale of wireless HeartCheck™ Branded ECG devices such as the HeartCheck CardiBeat, GEMS™ software licensing, GEMS™ Mobile Smartphone app downloads and from ECG paid for

reading services. The Company secured key FDA and Health Canada clearances in early 2019 with additional clearances for 2020 which will form the basis of many of the new revenue opportunities.

Transactions with Related Parties

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

Remuneration attributed to key management personnel for the years ended 31 December 2019 and 2018 is summarized as follows:

	2019	2018
Share-based compensation	\$ 13,787	\$ 8,034
Salaries	300,000	180,000
Contractors	40,000	40,000
Directors' fees	35,100	38,390
Professional fees	--	25,000
	\$ 388,887	\$ 291,424

Amounts due to and from related parties as at 31 December 2019 included the following:

- Short-term notes payable of \$300,000 (2018 - \$250,000) are due to related parties. Interest payable of \$22,603 (2018: \$3,781) on these notes is due to related parties (note 10).
- Amounts due to related parties as at 31 December 2019 of \$129,927 (2018: \$34,915) are due to the various members of management and the board of directors. As at 31 December 2019 these amounts were included in trade and other payables and accrued liabilities.

Other than the notes payable and accrued interest as discussed in note 11, amounts due to and from related parties are non-interest bearing with no set terms of repayment.

Capital Resources and Forward Strategies

Stock options

- On 22 January 2020, the Company issued 62,500 options at \$0.05 to the CEO pursuant to his contract.
- In February 2020, 700,000 options expired.
- On 22 April 2020, the Company issued 62,500 options at \$0.05 to the CEO pursuant to his contract.

Financing arrangement

- In January 2020, management entered into a short-term financing arrangement for one of its insurance contracts in the amount of \$17,496. The Company generally finances its insurance contracts.

Equity transactions

- On 12 February 2020, 650,000 shares were issued for debt settlement of \$32,500 to members of the board of directors.
- On 22 February 2020, 226,000 of shares to be issued for services of \$11,300 to a vendor were issued.

Government assistance related to COVID-19

- In May 2020, the Company entered into an arrangement with their principal banker for a Canada Emergency Business Account loan (CEBA) term loan agreement for \$40,000.
- In May 2020, the Company opted to receive the Canada Emergency Wage Subsidy (CEWS).

COVID-19

Since 31 December 2019, the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Debt financing

Management continues the process of retiring the Company's debt financing, which was \$500,000 on 31 December 2019. Current debtholders have extended the loan maturity to December 2020.

Business and sales strategies

With a continued emphasis on cost containment and through the entering of new joint venture, development and co-marketing agreements the Company will continue to apply strategic operational cost reductions balanced to ongoing and growing revenues from software license and hardware sales, provision of fee-for-services, consultation and software customization to new customers. The Company continues to believe NRE custom software development opportunities, although unpredictable, represent an important revenue stream. To reduce dependency on NRE revenue for reaching profitability, the Company has executed on several co-marketing, sales and partnership agreements with telemedicine platforms and hardware manufacturers to yield new revenue from the sale of wireless HeartCheck™ Branded ECG devices, GEMS™ software licensing, GEMS™ Mobile Smartphone app downloads and from ECG paid for reading services. The Company secured key FDA clearance in early 2019 which will form the basis of many of the new revenue opportunities.

The Company plans to launch a sales and marketing effort funded either through telemedicine platform sales or from financing efforts to generate funds required to accommodate the Company's ongoing efforts for releasing next generation products such as its GEMS™ FLEX, the Android and iOS compatible Smartphone GEMS™ app for use with HeartCheck™ branded ECG devices, the GEMS™ Universal Smartphone app that will work with many non-HeartCheck™ branded ECG monitoring devices sold globally as well as the Company's branded handheld ECG devices marketed as the HeartCheck™ ECG Bluetooth PEN, the HeartCheck™ ECG Palm and the HeartCheck™ CardiBeat.

The Company will continue to look to the addition of new consumer and prescription medical devices from third party brand manufacturers that will be compatible to the Company's prescription and consumer use software platforms. Under these relationships device development fees will be borne by the OEM device companies. Where appropriate for the Company, CardioComm Solutions will work to secure medical device clearances (FDA and/or CE and/or Health Canada) approvals for the sale of these new devices under distributor/representation/OEM agreements which will add to GEMS™, HeartCheck™ and SMART Monitoring revenue streams with a lower associated cost of good. The Company's goal is to earn less expensive revenue where gross sales and associated costs of goods may be lower, but earnings are maximized. While product and software enhancements are planned, these will continue to occur in step with associated new revenue or contracted services.

The Company continues to issue GEM™ WIN and GEMS™ FLEX licensing agreements to new hospital and ECG service providers. GEMS™ WIN referral sales also occur as follow-through sales from medical device manufacturer's efforts to sell their ECG devices with a compatible ECG management solution GEMS™ software license are sold under an annual licensing or pre-paid multi-year agreements which enhances uninterrupted yearly renewals for continued use of the Company's software.

Off-Balance Sheet Arrangements

The company does not have any off-balance sheet arrangements as at 31 December 2019 and 31 December 2018.

During the year ended 31 December 2019, the Company had the following non-cash transactions from investing and financing activities:

- Initial recognition of a right of use asset and lease liability for \$54,611
- 1,500,000 of warrants were exercised with a fair value of \$35,204
- 437,500 of options were exercised with a fair value of \$18,821
- 547,274 common shares were issued, and 226,000 common shares are to be issued for \$40,000 of advertising services, and \$5,200 of HST.
- 689,165 common shares were issued for settlement of debt of \$41,350

During the year ended 31 December 2018, the Company had the following non-cash transactions affect cash from investing and financing activities:

- 226,000 common shares were issued for \$10,000 of advertising services, and \$1,300 of HST
- 2,700,000 warrants expired with a fair value of \$15,266
- 7,466,000 warrants were re-valued with a change in fair value of \$30,993
- Outstanding payable portion of prepaid expenses of \$17,173

Critical Accounting Estimates

The financial statements of the Company for the year ended 31 December 2019, were prepared in accordance with IFRS applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities and meet its future obligations in the normal course of business. Accordingly, the financial statements do not include any adjustments for the recoverability and reclassification of recorded assets, or the amounts or classification of liabilities, that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. However, there is significant doubt as to the appropriateness of the going concern presumption. There is no assurance that the Company's funding initiatives will continue to be successful.

Significant estimates made by management are, but are not limited to, revenue recognition, including the identification of separate units of accounting under multiple deliverable arrangements, the measurement of deferred revenue related to future services, valuation of stock-based compensation, useful lives of equipment, the allowance for doubtful accounts, inventory valuation and the estimation of deferred income tax asset valuation allowances. Actual results could differ from those estimates.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost determined based on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories include the cost of materials purchased, the cost of conversion, as well as other costs required to bring the inventories to their present location and condition.

Revenue recognition

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered and is installed and operational at a customer's place of business or the services have been provided to the customer, the fee is fixed and determinable, and collectability is reasonably assured

In addition to this general policy, the following are the specific revenue recognition policies for each major category of revenue.

Software

Revenue from the sale of proprietary software is recognized when title is transferred to the customer. Shipping and handling costs paid by the customer to the Company are included in revenue.

Service

Revenues derived from ongoing service and maintenance contracts are recognized monthly over the term of the contract on a straight-line basis and are net of discounts. Other service revenue is recognized at the time the service is performed.

Multiple-element arrangements

The Company also has multiple-element sales arrangements where software licenses, the associated post-contract services (PCS) and ongoing services are sold together.

The Company has established vendor-specific objective evidence (VSOE) of the fair value of PCS for specific customer classes based on the value of PCS when sold separately as an optional renewal after the expiry of the initial maintenance term or based on contracted prices for optional PCS renewals included in the original multiple element sales arrangement.

The Company uses the residual method to determine the fair value of the delivered hardware, services and software license if VSOE of the fair value of all undelivered elements exists. Under the residual method, the fair value of the undelivered elements is deferred, and the remaining portion of the arrangement fee is recognized as revenue. In such cases when vendor-specific objective evidence of fair value exists for all of the undelivered elements (most commonly PCS), the residual amount is recognized as revenue and the PCS is recognized ratably over the PCS term, which is typically 12 months.

Income taxes

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in earning or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax

Current taxes are the expected tax payable or recoverable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred Tax

The Company uses the asset and liability method of accounting for income taxes, under which deferred income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using income tax rates in effect for the period in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in income tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset deferred tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable earnings will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Stock compensation

The Company has a share-based payments awards plan, which is described in note 13(f) to the financial statements, available to officers, directors, employees and consultants. All share-based payments have been accounted for using a fair-value-based method of accounting. The fair value of each stock option granted is accounted for in the statements of loss and comprehensive loss, over the vesting period thereof, and the related credit is included in contributed surplus.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes option pricing model on the date of grant with management's assumptions of risk-free interest rate, dividend yield, volatility factor of expected market price of the Company's common

share, expected forfeiture and life of the options. For details regarding the determination of the fair value of equity-settled share-based transaction see note 13(f) to the financial statements.

Financial instruments

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the statements of loss and comprehensive loss such that the expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company grants the shares.

The fair value of the Company's trade receivables, deposits, trade and other payables, short term notes payable, and amounts due to related parties' approximate carrying value, due to their short-term nature. The Company's cash and cash equivalents are measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk, which includes currency risk, interest rate risk and price risk.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and cash equivalents and receivables. The Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions. The Company has no investments in asset-backed commercial paper.

The Company's main exposure to credit risk is from its trade receivables and is subject to the concentration of its key customers. Before allowances, the Company's three largest receivable balances due from its customers represent 88% of trade receivables at 31 December 2019 (2018 - 85%).

The Company records an allowance for credit losses related to trade receivables that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash equivalents are only held at major financial institutions and management provides ongoing credit evaluations of its customers' financial condition.

Total trade receivables less an allowance for expected credit losses as at 31 December 2019 amounted to \$126,555 (2018 - \$691,650), which management believes adequately reflects the Company's credit risk. Of the reported trade receivables, 91% is determined to be past due, which is defined as amounts outstanding beyond normal credit terms and conditions for the respective customers. The significant over 90-day trade receivable is from Shoppers Drug Mart, a Canadian reseller of the HeartCheck™ ECG PEN. This vendor continues remit periodic payments against the outstanding balance on a timeline as determined by them. The Company has confirmed with the vendor that the liability for payment is accepted. While the Company continues to believe the trade receivables from this client are collectable, the Company has set up an allowance for expected credit losses in accordance with their policy on long overdue accounts.

b) Liquidity risk

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

The Company manages liquidity risk through its capital management as outlined in note 15. As at 31 December 2019, the Company has cash and cash equivalents, and trade receivables, net of an allowance for expected credit losses, of \$273,006 to settle its trade and other payables, accrued liabilities short-term lease liabilities and short-

term notes payable of \$946,461. Subsequent to the year ended 31 December 2019, the Company extended the payment date of \$500,000 of its short-term notes payable to 31 December 2020. It should be noted that the Company will also need to obtain additional funds to support ongoing operating expenditures and meet its liabilities as they fall due.

c) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, interest rates, and commodity and equity prices.

i. Currency risk

The functional currency of the Company is the Canadian dollar. The Company has sales in both Canadian and US dollars. As a result, the Company is exposed to foreign exchange rate risk with respects to the US dollar. As at 31 December 2019, the Company had net financial assets denominated in US dollars of approximately \$38,000. A 10% change in Canadian dollars versus US dollars would give rise to a gain or loss of approximately \$4,935. The Company has not entered into any foreign exchange contracts to hedge this risk.

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of interest rate risk on its notes payable is minimal, as these have a short-term to maturity, and a fixed interest rate.

iii. Price risk

The Company is not exposed to significant price risk as it does hold investments in publicly traded securities.

Accounting Standards and Interpretations Issued and Adopted

The following IFRS, none of which had a material effect on the financial statements, were adopted during 2019:

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. This standard has been adopted by the Company effective 1 January 2019.

Outstanding Share Data

The total issued and outstanding common shares of the Company at 31 December 2019, is 140,613,754 and, at 31 December 2019, CardioComm issued 2,873,939 shares. There were an additional 226,000 shares to be issued to a vendor as at 31 December 2019. As at 15 June 2020, there are 141,489,754 common shares outstanding.

Disclosure Controls and Procedures

The Company's audit committee has reviewed and approved this MD&A prior to its release. CardioComm Solutions is committed to providing timely, accurate and balanced disclosure of all material information about the Company and to providing fair and equal access to such information. As at 15 June 2020, the Company's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined under the rules adopted by the Canadian securities regulatory authorities. In addition, the Company's management has assessed whether there have been many significant changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to the Company's management, including the CEO and CFO as appropriate, to allow timely decisions regarding required disclosure. Internal control over financial reporting is a process designed by, or under the supervision of, senior management to provide

reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with IFRS.

The Company's management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal control over financial reporting will prevent or detect all material misstatements due to error or fraud. Because of the inherent limitations of all control systems, an evaluation of controls can only provide reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Company have been detected. The Company is continually evolving and enhancing its systems of controls and procedures. Based on the evaluation of disclosure controls, and assessment of changes in internal control over financial reporting, the CEO and CFO have concluded that, subject to the inherent limitations noted above, the Company's disclosure controls are effective in ensuring that material information relating to the Company is made known to management on a timely basis, and is fairly presented in all material respects in this MD&A.

Internal Controls over Financial Reporting

Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the IFRS. Based on their evaluation, the CEO and CFO have concluded that the design of these internal controls over financial reporting and the preparation of financial statements for external reporting at 15 June 2020.

The Company relies on compensating controls, including substantive periodic review of the financial statements, to ensure that disclosure controls and procedures are effective. The Company continues to address requirements to strengthen audit and financial controls.

ADDITIONAL INFORMATION

Additional information relating to CardioComm Solutions, Inc. is located at www.sedar.com .