



**CLOUD DX**

**Cloud DX Inc.**  
**(formerly Roosevelt Capital Group Inc.)**

# **Condensed Interim Consolidated Financial Statements**

**For the Three and Six Months Ended June 30, 2021 and 2020**

**(Unaudited - Expressed in Canadian Dollars)**

**Condensed Interim Consolidated Financial Statements**  
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**(Unaudited - Expressed in Canadian Dollars)**

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**Condensed Interim Consolidated Statement of Financial Position**  
**As at June 30, 2021 and December 31, 2020 (Expressed in Canadian dollars)**

	Note	June 30, 2021 (unaudited) \$	December 31, 2020 (Audited) \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,424,970	637,560
Restricted cash	6	60,000	-
Trade and other receivables	7	354,174	418,954
Marketable securities	12	-	433,251
Inventories	8	902,329	560,098
Prepaid expenses and deposits		174,462	309,615
Contract assets		4,295	-
		<b>3,920,230</b>	<b>2,359,478</b>
<b>Non-Current Assets</b>			
Intangible assets	9	458,156	544,950
Property, plant and equipment	10	116,039	97,726
Asset in progress	11	104,785	64,867
Right of use asset	16	675,953	755,477
<b>Total Assets</b>		<b>5,275,163</b>	<b>3,822,498</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		1,064,078	1,569,730
Deferred income		614,986	937,585
Lease liabilities	16	144,033	138,403
Advances from related parties	20	40,069	256,403
Current portion of conversion feature on convertible debt	5,18	-	639,994
Current portion of convertible debt	5,18	-	1,888,857
		<b>1,863,166</b>	<b>5,430,972</b>
<b>Non-current Liabilities</b>			
Lease liabilities	16	565,012	638,464
Loan payable	19	203,323	-
Conversion feature on convertible debt	5, 18	-	542,423
Convertible debt	5, 18	-	1,501,043
<b>Total liabilities</b>		<b>2,631,501</b>	<b>8,112,902</b>
<b>Shareholders' Equity (Deficiency)</b>			
Share capital	13	30,260,087	19,082,662
Deficit	13	(34,713,267)	(28,301,185)
Share based payment reserve	14	5,916,193	4,913,049
Warrant reserve		1,195,318	9,512
Accumulated other comprehensive loss		(14,669)	5,558
		<b>2,643,662</b>	<b>(4,290,404)</b>
		<b>5,275,163</b>	<b>3,822,498</b>

Approved on behalf of the Board of Directors on August 16, 2021

(signed) **Robert Kaul**, Chief Executive Officer and Director (signed) **William Charnetski**, Director

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

**Condensed Interim Consolidated Statements of Operations and  
Comprehensive Loss For the Three and Six Months Ended June 30, 2021  
and 2020 (Unaudited - expressed in Canadian dollars)**

	Note	Six Months Ended		Three Months Ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
		\$	\$	\$	\$
<b>Revenue</b>					
Subscription	21	254,055	183,303	170,766	89,857
Product Sales	21	266,370	410,502	88,736	350,986
Professional services	21	126,330	9,071	3,671	2,457
Other	21	5,039	-	5,039	-
		<b>651,794</b>	602,876	<b>268,212</b>	443,300
Cost of inventories sold		<b>175,032</b>	434,918	<b>47,732</b>	372,203
Gross Profit		<b>476,762</b>	167,958	<b>220,480</b>	71,097
<b>Operating Expenses</b>					
Advertising and promotion		287,903	13,779	186,743	6,431
Amortization and depreciation		171,103	167,433	85,035	78,138
Bad debt expense		13,506	-	9,795	-
Dues and memberships		186,545	136,255	126,516	78,402
Insurance		55,936	13,168	41,113	3,345
Office		296,627	239,382	152,509	145,155
Professional fees		449,520	150,540	6,444	120,878
Research		218,630	215,011	129,532	183,097
Salaries, wages and benefits		2,848,731	1,422,537	1,407,576	754,067
Share based compensation	14	948,947	168,403	887,739	34,829
Travel and entertainment		3,577	20,173	3,558	6,804
Other general and administrative		59,530	27,275	50,979	27,275
		<b>5,540,555</b>	2,573,956	<b>3,087,539</b>	1,438,421
<b>Operating loss</b>		<b>(5,063,793)</b>	(2,405,998)	<b>(2,867,059)</b>	(1,367,324)
<b>Other (expenses)/income:</b>					
Foreign exchange gain/(loss)		20,202	(42,759)	20,644	3,250
Interest expense		(524,830)	(195,316)	(196,249)	(110,689)
Government funding and grant income		661,256	264,056	44,316	264,056
Gain/(Loss) on marketable securities	12	202,929	(273,035)	(13,918)	(129,236)
Fair value gain/(loss)	18	(75,497)	(2,776)	(417,303)	(127,493)
Listing expense	5	(1,632,349)	-	(1,632,349)	-
		<b>(1,348,289)</b>	(249,830)	<b>(2,194,859)</b>	(100,112)
<b>Loss before income taxes</b>		<b>(6,412,082)</b>	(2,655,828)	<b>(5,061,918)</b>	(1,467,436)
Income taxes		-	-	-	-
<b>Net loss</b>		<b>(6,412,082)</b>	(2,655,828)	<b>(5,061,918)</b>	(1,467,436)
Other comprehensive income/(loss)		(20,227)	427,549	157,389	227,695
<b>Comprehensive loss</b>		<b>(6,432,309)</b>	(2,228,279)	<b>(4,904,529)</b>	(1,239,741)
Basic and diluted weighted average number of shares:		<b>56,284,089</b>	40,011,304	<b>69,138,540</b>	42,375,301
Basic and diluted loss per share:	13	<b>(0.11)</b>	(0.07)	<b>(0.07)</b>	(0.03)

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Transaction of 22.3783 resulting issuer shares for every 1 share of Cloud DX, Inc. See Note 5.

*The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.*

**Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (Deficiency)  
For the Six Months ended June 30, 2021 (Unaudited - expressed in Canadian dollars)**

	Note	Number of Common Shares	Common Shares \$	Share based reserve \$	Warrant reserve \$	Other comprehensive income/(loss) \$	(Deficit) \$	Total Shareholders' Equity (Deficiency) \$
<i>Balance at December 31, 2019</i>		1,621,130	16,343,731	4,577,848	-	(411,862)	(22,488,923)	(1,979,206)
Issuance of Capital	13	236,198	1,618,309					1,618,309
Conversion of Debt	18	101,181	1,128,411					1,128,411
Share based compensation	14	4,000	11,030	157,373				168,403
Issuance costs			(18,819)					(18,819)
Net and comprehensive loss for the period						427,549	(2,655,828)	(2,228,279)
<i>Balance at June 30, 2020</i>		1,962,509	19,082,662	4,735,221	-	15,687	(25,114,751)	(1,311,181)
<i>Balance at December 31, 2020</i>		1,962,509	19,082,662	4,913,049	9,512	5,558	(28,301,185)	(4,290,404)
Reverse takeover transaction	5	3,740,415	1,557,823	52,029	19,426			1,629,278
Issuance of Capital	13	12,190,000	4,928,620					4,928,620
Warrant Issuance	5	-	-		1,166,380			1,166,380
Conversion of debt	18, 5	11,826,254	5,467,014					5,467,014
Share exchange	5	42,375,218	172,865					172,865
Issuance costs			(948,897)					(948,897)
Share based compensation	14			951,115				951,115
Net and comprehensive income/(loss) for the period		-	-	-	-	(20,227)	(6,412,082)	(6,432,309)
<i>Balance at June 30, 2021</i>		72,094,396	30,206,087	5,916,193	1,195,318	(14,669)	(34,713,267)	2,643,662

**Condensed Interim Consolidated Statements of Cash Flows**  
**For the Six Months ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**

	Note	<b>Six Months Ended</b>	
		<b>June 30, 2021</b>	<b>June 30, 2020</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows used in operating activities:</b>			
Net loss before tax		\$ (6,412,082)	\$ (2,655,828)
<b>Items not affecting cash:</b>			
Depreciation of property, plant and equipment		99,797	87,831
Amortization of intangible assets	9	71,306	79,602
Realized loss from disposal of marketable securities	12	(202,929)	15,474
Unrealized (gain) loss on revaluation of marketable securities	12	-	257,560
Bad debt expense		13,506	-
Consulting expense settled by issuance of shares, convertible debt or options		455,838	199,098
Fair value loss		75,497	2,776
Fair value adjustment on interest-free loan from FedDev	19	(107,109)	-
Government grants deferred in prior year		(369,045)	-
Finance costs – net		480,740	164,659
Interest expense on lease liabilities		29,306	616
Interest accretion on FedDev loan		10,433	-
Share-based compensation expense	14	948,947	168,403
Non-cash increase in marketable securities	12	-	(70,351)
Non-cash write off		5,406	-
Non-cash listing expenses	5	723,037	-
Net foreign exchange difference		(45,771)	402,738
Changes in working capital	22	(820,176)	(121,276)
<b>Cash generated used in operating activities</b>		<b>(5,043,299)</b>	<b>(1,468,698)</b>
<b>Cash flows generated from (used in) investing activities:</b>			
Proceeds from disposal of marketable securities	12	618,661	71,412
Cash from lease improvement allowance	11	72,418	-
Purchase of property, plant and equipment		(143,278)	-
<b>Cash generated from (used in) investing activities</b>		<b>547,801</b>	<b>71,412</b>
<b>Cash flows generated from financing activities:</b>			
Proceeds from the issuance of common shares	13	5,276,327	906,301
Cash from recapitalization	5	646,330	-
Loan received from Roosevelt prior to Transaction	5	250,000	-
Proceeds from FedDev Loan	19	300,000	-
Share cancellation	13	(283,235)	-
Proceeds from issuance of convertible debt, net of issuance costs	18	266,534	1,491,717
Payment for lease obligation	16	(97,128)	(47,158)
<b>Cash generated from financing activities</b>		<b>6,358,828</b>	<b>2,350,860</b>
Increase in cash and cash equivalents		1,863,330	953,575
Effect of exchange rates on cash and cash equivalents		(15,920)	293
Cash and cash equivalents, beginning of the period		637,560	32,655
<b>Cash and cash equivalents, end of the period</b>		<b>2,484,970</b>	<b>986,523</b>
Restricted cash, end of period	6	(60,000)	-
<b>Total cash and cash equivalents, end of period</b>		<b>2,424,970</b>	<b>986,523</b>
<b>Supplemental cash flow information:</b>			
Non-cash convertible debt issuance costs		-	-

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**

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**1. Nature of Operations**

Cloud DX Inc. (formerly Roosevelt Capital Group Inc.) (the "Corporation", the "Group" or the "Company") was incorporated on February 22, 2019 pursuant to the provisions of the Business Corporations Act (Alberta). The Company was carrying on business as a Capital Pool Corporation ("CPC"), as such term is defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4 – Capital Pool Companies. The Company's principal purpose was the identification and evaluation of assets, properties or businesses with a view to acquisition or participation (the "Qualifying Transaction" or the "Transaction") therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company completed its initial public offering on August 19, 2019. Upon completion, the Company's shares were listed for trading on the Exchange.

The Qualifying Transaction was completed on April 12, 2021 by way of a three-cornered amalgamation, pursuant to which its wholly owned subsidiary amalgamated with 12632926 Canada Ltd ("Cloud Canada") and the Company, which now holds the assets of Cloud Canada and its wholly owned subsidiaries Cloud DX, Inc. ("CDX") and Cloud Diagnostics ULC.

Immediately prior to the close of the Qualifying Transaction, the Company consolidated its common shares on a 4.8123 to 1 basis (the "Share Consolidation"). Also prior to the Qualifying Transaction, CDX completed a share exchange (the "Share Split") with 12632926 Canada Ltd ("Cloud Canada") which saw each CDX shareholder receive 22.3783 shares of Cloud Canada and CDX become a wholly-owned subsidiary of Cloud Canada. Cloud Canada's shares were then exchanged on a 1 for 1 ratio with the Company. The Share Consolidation and Share Split have been applied retrospectively in the unaudited interim consolidated financial statements and as a result, the common shares, warrants and option amounts of the Company presented herein are stated on an adjusted post-share basis. Upon the close of the Qualifying Transaction, the Company successfully became listed on Tier 2 of the TSX Venture Exchange under the symbol "CDX".

The Transaction constituted a Reverse Takeover under applicable securities law. As a result, the consolidated statements of financial position are presented as a continuance of the Company and the comparative figures presented are those of CDX (see *Note 5 – Reverse Takeover* for details). Prior to the closing of the Transaction, the Company filed an Article of Amendment to change its name from Roosevelt Capital Group Inc. to Cloud DX Inc. and continue from the Business Corporations Act (Alberta) to the Canadian Business Corporations Act. On April 15, 2021, the Company commenced trading on the TSX Venture Exchange under the symbol "CDX".

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.

The Company has a wholly owned subsidiary, Cloud Canada, incorporated under the Canada Business Corporations Act ("CBCA"), Cloud Canada is a holding company which directly or indirectly wholly owns CDX and Cloud Diagnostics Canada ULC. Cloud Diagnostics Canada ULC is incorporated under the laws of the Province of British Columbia and CDX is incorporated in the State of Delaware; their accounts are consolidated into the Company's financial statements.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**

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**2. Basis of Presentation**

## a) Going Concern Assumption

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

As at June 30, 2021, the Company had a deficit of \$34,713,267 (December 31, 2020 - \$28,301,184), including a net loss of \$5,061,918 and \$6,412,082 for the three and six months ended June 30, 2021 (2020 – \$1,467,436 and \$2,655,828)

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

## a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IFRS") and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and with interpreted by the IFRS Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2020.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on August 16, 2021.

## b) Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for certain financial instruments measured at fair value through profit or loss.

## c) Functional Currency

The Corporation's functional and presentation currency is the Canadian dollar. Transactions undertaken in foreign currencies are translated into Canadian dollars at daily exchange rates prevailing when the transactions occur. Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates and non-monetary items are translated at historical exchange rates. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of loss and comprehensive loss. The assets and liabilities of foreign operations are translated into Canadian dollars using the period-end exchange rates. Income expenses and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations into Canadian dollars are recognized in other comprehensive income/(loss) and accumulated in equity. See Note 23.



**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**


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**2. Basis of Presentation (continued)**

## d) Principles of Consolidation

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

<b>Subsidiary</b>	<b>Jurisdiction</b>	<b>Functional Currency</b>	<b>% Ownership</b>
12632926 Canada Ltd.	Ontario, Canada	Canadian Dollars	100%
Cloud DX, Inc. (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.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. All significant intercompany balances, transactions and unrealized gains on transactions between group companies have been eliminated upon consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

**3. Significant Accounting Policies**

The accounting policies and use of estimates and judgements described in Cloud DX, Inc.'s annual consolidated financial statements have been applied consistently to all periods presented in these condensed interim consolidated financial statements unless otherwise indicated. The accounting policies have been applied consistently by all subsidiaries.

**4. Use of estimates and judgements**

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 Cloud DX, Inc.'s annual consolidated financial statements for the year ended December 31, 2020 with the exception of the functional currency (see Note 23).

**5. Reverse Takeover**

On April 30, 2020 the Company signed a letter of intent with CDX, where the Company would acquire CDX by way of a three-corner amalgamation, share exchange, plan of arrangement or other similar form of transaction as agreed by the parties. On January 29, 2021, the Company and CDX entered into the Definitive Agreement, which superseded the binding letter of intent (and any subsequent amendments thereto) pursuant to which the parties agreed to complete the Qualifying Transaction on the terms set out therein. The Transaction was completed on April 12, 2021 and resulted in a reverse take-over of the Company by CDX and constitutes the Qualifying Transaction of the Company in compliance with the CPC Policy. Pursuant to the terms of the Definitive Agreement, the Company acquired 100% of CDX and the Company changed its name to Cloud DX Inc.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**

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**5. Reverse Takeover (continued)**

Pursuant to the Transaction, each non-dissenting CDX shareholder received 22.783 post-Consolidation common shares in the capital of the Company for each CDX common share held by them, compensation shares were issued to certain consultants to the Transaction and each Cloud Canada subscription receipt holder received one common share and one half warrant of the Company for a total issuance by the Company from treasury of 68,353,989 post Share Split common shares. In addition to the warrants associated with the Cloud Canada subscription receipts, 752,200 broker warrants, 37,976 replacement CDX warrants and 4,604,963 compensation options were issued after the cancellation of all pre-Transaction CDX options. All option and warrant values have been retroactively adjusted in these financial statements

On April 9, 2021, prior to the closing of the Transaction, the Company filed articles of amendment to: (i) consolidate its outstanding common shares on a 4.8123 old for 1 new basis, and (ii) change its name to Cloud DX Inc..

Following completion of the Transaction, the Company had 72,094,396 common shares issued and outstanding; 84,270,278 are outstanding on a fully diluted basis. Common shares of the Company began trading on the TSX Venture Exchange under the symbol "CDX" on April 15, 2021.

The Transaction constituted a Reverse Takeover by way of a three-cornered amalgamation under applicable securities law with CDX as the reverse takeover acquirer and the Company as the reverse takeover acquiree.

The Transaction does not constitute a business combination as the Company does not meet the definition of a business under IFRS 3 – Business Combinations. Immediately after the Transaction, shareholders of CDX owned 95% of the voting rights of the Company. As a result, the Transaction has been accounted for as a capital transaction with CDX being identified as the accounting acquirer and the equity consideration being measured at fair value, using the acquisition method of accounting. The Transaction has been accounted for in the consolidated financial statements as a continuation of the financial statements of CDX.

**Purchase price consideration**

CDX is deemed to have acquired the Company and accordingly the Transaction has been accounted for using the acquisition method of accounting whereby the assets acquired and liabilities assumed are recorded at their estimated fair value at the acquisition date. The acquisition did not meet the criteria for a business combination and is therefore treated as a recapitalization under the scope of IFRS 2 – Share Based Payments. The consideration consisted entirely of equity (shares, options and warrants) of the Company which were measured at the estimated fair value on the date of acquisition. The fair value of the Common Shares issued to the former Roosevelt shareholders was determined to be \$1,557,823 based on the fair value of the shares issued (3,740,415 shares at \$0.42 per share). This share price was determined using the \$0.50 value of the subscription receipts and simulating the per warrant and per share respective values with a Black Scholes model using a volatility of 98%, a risk free rate of 0.25%, \$0.65 exercise value of the warrants and a 2-year term. The fair value of the Roosevelt Options was determined to be \$52,029 using a Black Scholes model based on the following assumptions: volatility – 98%; Risk-free interest rate – 0.27%; Stock price - \$0.42, exercise price - \$0.48 and an expected life of 1 year. The fair value of the Roosevelt Warrants was determined to be \$19,426 using a Black Scholes model based on the following assumptions: volatility – 87%; Risk-free interest rate – 0.27%; Stock price at April 12, 2021 - \$0.42 and an expected life of 0.35 years. In connection with the acquisition, the Company incurred acquisition costs of \$1,632,349.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**


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**5. Reverse Takeover (continued)**

Consideration: Share Capital	1,557,823
Consideration: Share-based payment reserve	52,029
Consideration: Warrant reserve	19,426
<b>Fair value of consideration</b>	<b>1,629,278</b>
<hr/>	
Cash and cash equivalents	646,329
Loan receivable	250,000
Other assets	16,644
Accounts payable and accrued liabilities	6,801
<b>Net assets acquired</b>	<b>906,172</b>
Non-cash listing expense	723,106
Add: other fees associated with reverse takeover	909,243
<b>Reverse takeover listing expense</b>	<b>1,632,349</b>

**6. Restricted Cash**

As at June 30, 2021, the Company had \$60,000 of restricted cash held as collateral against its credit card limit. The funds are invested in a cashable GIC account which matures on May 2, 2022. The credit facility was established in 2021.

**7. Trade and other receivables**

	June 30 2021	December 31 2020
Trade receivables	\$ 272,883	\$ 352,514
Harmonized Sales tax receivable	97,230	74,723
Less expected credit losses	(15,939)	(8,283)
	<b>354,174</b>	<b>418,954</b>

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**
**8. Inventories**
**Inventories are comprised of the following:**

	June 30, 2021	December 31, 2020
Finished Goods	546,246	507,317
Work in Progress	406,083	97,348
Provision for obsolescence	(50,000)	(44,567)
<b>Total Inventories</b>	<b>902,329</b>	<b>560,098</b>

**9. Intangible Assets**

<b>December 31, 2020</b>	544,950
Additions	-
Less amortization	(71,306)
Foreign exchange	(15,488)
<b>June 30, 2021</b>	<b>458,156</b>

**10. Property, Plant & Equipment**

December 31, 2020	97,726
Additions	38,653
Less depreciation	(20,273)
Foreign exchange	(67)
<b>June 30, 2021</b>	<b>116,039</b>

**11. Asset in progress**

December 31, 2020	64,867
Additions	112,336
Less progress payments reimbursed	(72,418)
<b>June 30, 2021</b>	<b>104,785</b>

**Notes to the Condensed Consolidated Interim Financial Statements  
For the Three and Six Months Ended June 30, 2021 and 2020  
(Unaudited - expressed in Canadian dollars)**

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**12. Marketable securities**

In conjunction with a revenue contract with a customer during 2019, a portion of the consideration included 458,349 shares valued at \$750,000 (US\$559,578) of the related customer. The share value was determined based on the publicly traded share price less a 25% discount attributed to a six month hold restriction. The discount due to lack of marketability was determined using the Finnerty option pricing model using estimated volatility of 191%, a six month expected life, a 2.47% risk free rate and nil expected dividends.

During 2020, the customer settled its remaining outstanding accounts plus a contract amendment penalty clause for consideration of a further 965,578 shares valued at \$324,023 (US\$241,430) which was applied against outstanding accounts receivable with the remaining \$70,350 (US\$51,581) recognized in revenue. The share value was determined based on the publicly traded share price less a 21.8% discount attributed to a six month hold restriction. The discount due to lack of marketability was determined using the Finnerty option pricing model using estimated volatility of 150%, a six month expected life, a 0.65% risk free rate and nil expected dividends.

On February 2, 2021, the customer had a 10:1 reverse split of its stock. During the three and six month periods ended June 30, 2021, the Company sold the equivalent of 90,000 and 810,178 shares pre reverse split respectively (2020 – 103,086 and 196,086) generating proceeds of \$30,237 (US\$24,750) and \$618,661 (US\$506,374) respectively (2020 – \$27,800 (US\$20,075) and \$71,412 (US\$52,359)).

During the three and six month periods ended June 30, 2021, a realized loss of \$13,918 and a realized gain of \$202,929 respectively (unrealized loss of \$258,068 and realized gain of \$128,832 for the three months ended June 21, 2020 and unrealized loss of \$257,547 and realized loss of \$15,488 for the six months ended June 21, 2020) was recorded on the consolidated statement of operations and comprehensive loss.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**
**13. Share capital**
**Authorized and issued**

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

	# of shares issued		Total Value
Balance at December 31, 2020 (iii)	43,917,615	\$	19,082,258
Conversion of convertible debt (ii)	11,826,254		5,467,014
Shares issued for subscription receipts (vi)	12,190,000		4,928,620
Dissenting shareholder cancellation (iv)	(674,370)		(283,235)
Compensation shares and issuance costs (v)	1,094,490		(492,393)
Shares issued on reverse takeover (i)	3,740,415		1,557,823
<b>Balance at June 30, 2021</b>	<b>72,094,396</b>		<b>30,260,087</b>

- i. On April 12, 2021 Roosevelt consolidated its shares on a 1:4.8123 basis from 18,000,000 issued and outstanding shares to 3,740,415.
- ii. On April 12, CDX issued 5,284,470 shares upon conversion of the convertible notes. These shares were then exchanged with Cloud Canada at a 22.3783 new for 1 old ratio resulting in 11,826,254 shares of Cloud Canada issued. Subsequently, these were exchanged on a 1:1 basis in the Transaction resulting in 11,826,254 shares being issued.
- iii. On April 12, CDX exchanged its outstanding shares at a 22.3783 new for 1 old basis with Cloud Canada which were then, with the exception of the dissenting shareholder shares, exchanged on a 1:1 basis in the Transaction.
- iv. Subsequent to the Transaction, the dissenting shareholders shares were cancelled
- v. 1,094,490 shares were issued pursuant to consulting arrangements attached to the Transaction together with professional and other transaction related costs.
- vi. On April 12, the Company completed brokered private placement of an aggregate of 12,190,000 shares in the capital of Cloud Canada plus a ½ warrant which were exchanged on a 1:1 basis and issued by the Company for aggregate gross proceeds of \$6,095,000. Haywood Securities Inc. and Echelon Wealth Partners Inc. jointly acted as lead agents in connection with the private placement for which they were paid a cash commission of \$476,100 and were issued 752,000 warrants with each warrant exercisable into one common share at a price of \$0.50 per share until April 12, 2023. The fair value of all warrants issued under the private placement was determined to be \$1,146,221 using a Black Scholes model based on the following assumptions: volatility – 98%; risk-free interest rate – 0.25%; stock price at April 12, 2021 - \$0.42 and an expected life of 2 years.

In the three and six months ended June 30, 2021, the Company incurred a net loss; warrants and options were antidilutive.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**
**14. Share-based payments**

Prior to April 12, 2021, the Company had two Share-based compensation plans: the “Incentive Share Option Plan” and the “Non-Qualified Share Option Plan”. There were no incentive share options or non-qualified share options issued in the three or six months ended June 30, 2021.

On April 12, 2021, all options outstanding under the incentive share option plan and the non-qualified option plan were cancelled by the Company and Roosevelt’s Share Option Plan governed all option grants for the continuing company thenceforward. This plan permits a maximum of 10% of the aggregate number of issued and outstanding Common Shares of the Company to be optioned. The then outstanding 1,500,000 options outstanding were consolidated on a 1:4.8123 basis to 374,042 and on April 14, 2021, the Company issued 4,604,963 options to various employees and service providers with a strike of \$0.65 and a term of 5 years. 3,923,291 of these options vested upon grant with a further 375,838 vesting on April 14, 2022 and 305,834 vesting on April 14, 2023. Options were valued assuming a stock price of \$0.42, volatility 112%, a risk-free rate of 0.41% and a term of 5 years. Any incremental fair value to cancelled options under the incentive option plan and non-qualified option plan were expensed immediately for fully vested options. Where options were not fully vested, the remaining share-based compensation of the cancelled options was combined with the incremental fair value of the newly issued options and is being amortized over the remaining vesting period on a graded vested basis.

During the three and six months ended June 30, 2021, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of \$887,739 and \$948,947 (2020 - \$34,829 and \$168,403) in relation to its share option programs.

The Company observed similar public companies in order to estimate volatility over the estimated life of the options. 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 operations and comprehensive loss.

The following is a continuity of options issued retrospectively adjusting for the 22.3783 exchange ratio for the CDX options (see Note 5) and the 4.8123 consolidation ratio for the Roosevelt options.

Incentive and Non-qualified options issued at December 31, 2020	4,970,022
Less: Incentive and Non-qualified options cancelled	(4,970,022)
Add: 1,500,000 Roosevelt options giving effect to the consolidation ratio of 4.8123	374,042
Add: Options issued	4,604,963
<b>Issued and outstanding options as at June 30, 2021</b>	<b>4,979,005</b>

**15. Litigation**

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

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**
**16. 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. Any other leases are reported as right of use assets.

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

	June 30, 2021	December 31, 2020
	\$	\$
<b>Right of use assets</b>		
Opening right-of-use asset	1,234,892	429,935
New leases	-	808,493
Foreign exchange	(4,658)	(3,536)
Closing right of use asset	1,230,234	1,234,892
<b>Accumulated depreciation</b>		
Opening accumulated depreciation	(479,415)	(335,943)
Depreciation for the period	(79,524)	(147,823)
Foreign exchange	4,658	4,351
Closing accumulated depreciation	(554,281)	(479,415)
<b>Right of use assets, net</b>	<b>675,953</b>	<b>755,477</b>
<b>Lease liabilities</b>		
Opening Lease Liability	776,868	46,135
Accretion during the year	29,305	21,605
Principal payments	(97,128)	(81,908)
New leases	-	790,769
Foreign exchange		266
Closing lease liabilities	709,045	776,867
<b>Current portion</b>	<b>144,033</b>	<b>138,403</b>
<b>Non-Current portion</b>	<b>565,012</b>	<b>638,464</b>

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 8%. Right-of-use assets are amortized over the expected average lease term of 5 years.



**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**
**17. 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 Canadian dollar. These transactions are primarily denominated in US 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 2021. A 5% change in the US/CAD exchange rate would result in a change to net loss of \$83,311.

**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 tables outline the Company's remaining contractual maturities for its non-derivative financial liabilities based on the earliest date the Company is required to make payment on these amounts:

	Carrying Amount	Total	Contractual payments due		
			Less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	\$1,064,078	\$ 1,064,078	\$ 1,064,078	\$ -	\$ -
Lease liabilities	709,057	832,609	194,256	397,791	240,562
Advances from related parties	40,069	40,069	40,069		
Loans Payable	203,323	300,000	-	108,329	191,671
<b>Total</b>	<b>2,016,527</b>	<b>2,236,756</b>	<b>1,298,403</b>	<b>506,120</b>	<b>432,233</b>

Contractual payments due are inclusive of the imputed interest that is excluded in the carrying amount.

**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 June 30, 2021 the trade and other receivables were within normal repayment terms.

**Interest rate risk**

The Company does not have any non derivative variable interest rate exposure.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**
**18. Derivative financial instruments and convertible notes**

During 2020, the Company had a voluntary conversion of a portion of its then issued and outstanding unsecured convertible debentures into share capital of the Company at US\$8 per share pre 22.3783 Stock Split basis and US\$0.3575 post split with the remaining portion of these debentures rolling into a new unsecured convertible debenture offering that was made open for further subscription. Upon this event, the Company recognized a fair value loss on extinguishment of US\$156,480 on the terminated notes. In addition to the amount rolled from the old notes, the new convertible debenture had aggregate proceeds of US\$2,626,886 to December 31, 2020 and a further US\$223,925 in the three months ended March 31, 2021. As part of the Transaction on April 12, 2021, all outstanding notes were converted to share capital. See notes 5 and 13.

The summary of the April 12, 2021 conversion is as follows:

	Value
Conversion to Common Shares – convertible debt	5,094,869
Conversion to Common Shares – accrued interest	372,145
	<b>5,467,014</b>

**Inputs for measurement of issuance date fair values**

As the conversion feature resulted in a variable number of shares, the notes did not meet the fixed-for-fixed condition and accordingly, were accounted for as a derivative liability. At the end of each reporting period, the conversion feature of the derivative liabilities was measured at fair value with any gains or losses recorded in the consolidated statements of loss and comprehensive loss. The fair value of the conversion feature was estimated using a Monte Carlo simulation and the assumptions at the issuance date and revaluation dates were as follows:

	<b>Issuance date</b> <b>January 31, 2021</b>	<b>Revaluation date</b> <b>April 12, 2021</b>
Risk-free interest rate	.11%	.27%
Expected Volatility	132%	N/A
Share price	\$0.50	\$0.42
Expected life	1.5 years	0.47 - 1.31 years
Expected dividends	\$0	\$0
Probability of qualified financing	95%	100%

Convertible debt was converted to common shares at 80% of the post transaction share price of \$0.50 per share.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**


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**19. Loans Payable**

In the three months ended March 31, 2021, CDX received \$300,000 of its interest free \$500,000 Business Scale Up and Productivity Contribution Agreement with the Federal Economic Development Agency for Southern Ontario. The facility is designed to assist with the Company's scale up in the North American markets, is non-interest bearing with repayments commencing in June 2023. The Company has recognized \$107,109 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 June 30, 2021 is \$203,323 after assuming an interest rate of 12.45% to calculate the portion attributable to government funding. As of the date of these statements, a further \$150,000 of funding has been received under this agreement.

**20. Related party transactions**

During the three and six months ended June 30, 2021 the Company has recorded an expense associated with consulting fees and wages to directors and officers and their wholly owned companies of \$169,694 and \$481,588 respectively (2020 - \$239,590 and \$419,203).

There was related party interest of nil for the three and six months ended June 30, 2021 (2020 – nil and \$23,122 respectively).

The advances to/from related parties, 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.

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 for the three and six months ended June 30:

	3 months 2021	3 months 2020	6 months 2021	6 months 2020
Contractor expense for services	\$25,000	\$106,546	203,177	230,907
Wages	144,694	133,044	278,411	188,296
Share-based payments expense	436,102	-	458,127	64,994
<b>Total key management compensation</b>	<b>605,796</b>	<b>239,590</b>	<b>939,715</b>	<b>484,197</b>

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
**(Unaudited - expressed in Canadian dollars)**
**21. Revenue from contracts with customers**

The Company earned revenue from the following geographical areas in the three and six months ended June 30:

	3 months 2021	3 months 2020	6 months 2021	6 months 2020
Canada	\$220,747	\$433,197	544,095	499,632
United States	47,465	10,103	107,699	103,244
<b>Total</b>	<b>268,212</b>	<b>443,300</b>	<b>651,794</b>	<b>602,876</b>

**22. Supplementary cash flow information**
**Change in working capital for the six months ended June 30, 2021 and 2020**

	2021	2020
Trade and other receivables	66,463	(426,710)
Prepaid expenses and deposits	(22,298)	5,867
Inventories	(41,687)	(308,846)
Contract assets	(6,478)	12,321
Accounts payables and accrued liabilities	(492,960)	172,893
Deferred income	(105,582)	401,888
Advances from related parties	(217,634)	21,311
<b>Total change in working capital</b>	<b>(820,176)</b>	<b>(121,276)</b>

**23. Change in functional currency**

As of April 12, 2021, the Company commenced reporting in Canadian dollars and has restated all its comparable figures from previously reported USD. As a result of the Transaction, the parent is now a Canadian entity with shares listed in Canadian dollars on the stock exchange resulting in a Canadian functional currency for the parent. Previously, the parent was domiciled in the United States with US dollar denominated revenue and expenses. Historical exchange rates were used for equity components of the statement of financial position, non-monetary assets were exchanged at the current rate as at the period end and the statement of operations items were translated using an average rate for the period.