



CLOUD DX

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

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

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

	Note	September 30, 2021 \$	December 31, 2020 \$
Assets			
Current Assets			
Cash and cash equivalents		317,129	637,560
Restricted cash	6	60,000	-
Trade and other receivables	7	433,587	418,954
Marketable securities	12	-	433,251
Inventories	8	928,300	560,098
Prepaid expenses and deposits		244,702	309,615
Contract assets		2,740	-
		1,986,458	2,359,478
Non-Current Assets			
Intangible assets	9	433,778	544,950
Property, plant and equipment	10	126,369	97,726
Asset in progress	11	26,905	64,867
Right of use asset	16	1,214,737	755,477
		3,788,247	3,822,498
Liabilities and Shareholders' Equity (Deficiency)			
Current Liabilities			
Accounts payable and accrued liabilities		1,282,039	1,569,730
Deferred income		468,811	937,585
Lease liabilities	16	216,508	138,403
Advances from related parties	20	105,534	256,403
Current portion of conversion feature on convertible debt	5, 18	-	639,994
Current portion of convertible debt	5, 18	-	1,888,857
		2,072,892	5,430,972
Non-current Liabilities			
Lease liabilities	16	1,070,380	638,464
Loan payable	19	289,532	-
Conversion feature on convertible debt	5, 18	-	542,423
Convertible debt	5,18	-	1,501,043
		3,432,804	8,112,902
Shareholders' Equity (Deficiency)			
Share capital	13	30,260,087	19,082,662
Deficit	13	(37,089,548)	(28,301,185)
Share based payment reserve	14	5,932,510	4,913,049
Warrant reserve		1,195,318	9,512
Accumulated other comprehensive loss		57,076	5,558
		355,443	(4,290,404)
		3,788,247	3,822,498

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

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

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

	Note	Nine Months Ended		Three Months Ended	
		Sept. 30, 2021 \$	Sept. 30, 2020 \$	Sept. 30, 2021 \$	Sept. 30, 2020 \$
Revenue					
Subscription	21	347,363	284,126	82,023	100,823
Product Sales	21	308,966	512,103	42,596	101,601
Professional services	21	115,084	13,351	-	4,280
Other	21	5,000	-	-	-
		776,413	809,580	124,619	206,704
Cost of inventories sold		237,302	554,845	62,270	119,927
Gross Profit		539,111	254,735	62,349	86,777
Operating Expenses					
Advertising and promotion		397,147	43,044	109,244	29,265
Amortization and depreciation		285,858	251,238	114,755	83,805
Bad debt expense		20,805	-	7,299	-
Dues and memberships		272,249	187,184	85,704	50,929
Insurance		101,615	22,991	45,679	9,823
Office		442,684	464,700	146,057	225,318
Professional fees		906,130	641,542	456,610	491,002
Research		328,335	306,565	109,705	91,554
Salaries, wages and benefits		4,325,535	2,491,504	1,476,804	1,068,967
Share based compensation	14	967,432	278,005	18,485	109,602
Travel and entertainment		14,220	20,600	10,643	427
Other general and administrative		66,159	18,849	6,629	(8,426)
		8,128,169	4,726,222	2,587,614	2,152,266
Operating loss		(7,589,058)	(4,471,487)	(2,525,265)	(2,065,489)
Other (expenses)/income:					
Foreign exchange gain/(loss)		5,359	48,039	(14,843)	90,798
Interest income (expense)		(562,136)	(401,984)	(37,306)	(206,668)
Government funding and grant income		861,253	515,217	199,997	251,161
Gain on marketable securities	12	207,887	88,856	4,958	361,891
Fair value loss	18	(77,345)	(533,782)	(1,848)	(531,006)
Listing expense	5	(1,634,323)	-	(1,974)	-
		(1,199,305)	(283,654)	148,984	(33,824)
Loss before income taxes		(8,788,363)	(4,755,141)	(2,376,281)	(2,099,313)
Income taxes		-	-	-	-
Net loss		(8,788,363)	(4,755,141)	(2,376,281)	(2,099,313)
Other comprehensive income/(loss)		51,518	99,737	71,745	(327,812)
Comprehensive loss		(8,736,845)	(4,655,404)	(2,304,536)	(2,427,125)
Basic and diluted weighted average number of shares:		61,631,699	41,380,229	72,886,650	43,917,615
Basic and diluted loss per share:	13	(0.14)	(0.12)	(0.03)	(0.06)

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.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (Deficiency)
For the Nine Months ended September 30, 2021 and 2020
(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) \$
Balance at December 31, 2019		1,621,130	16,343,731	4,577,848	-	(411,862)	(22,488,923)	(1,979,206)
Issuance of Capital		236,198	1,618,309					1,618,309
Conversion of Debt		101,181	1,128,411					1,128,411
Share based compensation		4,000	11,030	266,975				278,005
Issuance costs			(18,819)					(18,819)
Net and comprehensive loss for the period						99,737	(4,755,141)	(4,655,404)
Balance at September 30, 2020		1,962,509	19,082,662	4,844,823	-	(312,125)	(27,244,064)	(3,628,704)
Balance at December 31, 2020		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
Private placement	13	12,190,000	4,928,620		1,166,380			6,095,000
Conversion of debt	18	11,826,254	5,467,014					5,467,014
Share exchange	13	42,375,218	172,865					172,865
Issuance costs	13		(948,897)					(948,897)
Stock based compensation				967,432				967,432
Net and comprehensive loss for the period		-	-	-	-	51,518	(8,788,363)	(8,736,845)
Balance at September 30, 2021		72,094,396	30,260,087	5,932,510	1,195,318	57,076	(37,089,548)	355,443

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

	Note	Nine Months Ended	
		Sept. 30, 2021 \$	Sept. 30, 2020 \$
Cash flows used in operating activities:			
Net loss before tax		(8,788,363)	(4,755,141)
Items not affecting cash:			
Depreciation of property, plant and equipment		176,285	131,916
Amortization of intangible assets	9	109,573	119,321
Realized loss from disposal of marketable securities	12	-	82,181
Unrealized gain on revaluation of marketable securities	12	(207,887)	(171,036)
Bad debt expense		20,805	-
Consulting expense settled by issuance of shares, convertible debt or options		455,838	225,257
Fair value loss		64,986	533,782
Fair value adjustment on interest-free loan from FedDev	19	(178,650)	-
Government grants deferred in prior year		(484,000)	-
Finance costs – net		492,487	362,023
Interest expense on lease liabilities		52,850	6,041
Interest accretion on FedDev loan		18,183	-
Share-based compensation expense	14	967,432	278,005
Non-cash increase in marketable securities	12	-	(70,303)
Non-cash inventory impairment		35,433	-
Non-cash listing expenses	5	723,037	-
Net foreign exchange difference		(2,677)	39,894
Changes in working capital	22	(687,914)	164,275
Cash used in operating activities		(7,232,582)	(3,053,785)
Cash flows generated from (used in) investing activities:			
Proceeds from disposal of marketable securities	12	633,777	183,448
Cash from lease improvement allowance	11	72,416	-
Purchase of property, plant and equipment		(195,869)	(12,212)
Investment in guaranteed investment certificate	6	(60,000)	-
Cash generated from (used in) investing activities		450,326	171,236
Cash flows generated from financing activities:			
Proceeds from private placement, net of issuance costs	13	5,276,327	905,684
Cash from recapitalization	5	646,330	-
Loan received from Roosevelt prior to Transaction	5	250,000	-
Proceeds from FedDev Loan	19	450,000	-
Share cancellation	13	(283,235)	-
Proceeds from issuance of convertible debt, net of issuance costs	18	273,046	2,373,925
Payment for lease obligation	16	(146,267)	(47,410)
Cash generated from financing activities		6,466,201	3,232,199
Increase in cash and cash equivalents		(316,055)	349,650
Effect of exchange rates on cash and cash equivalents		(4,376)	1,774
Cash and cash equivalents, beginning of the period		637,560	32,655
Cash and cash equivalents, end of the period		317,129	384,079
Supplemental cash flow information:			
Non-cash convertible debt issuance costs		-	7,759

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

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

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 Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2021 and 2020
(Unaudited - expressed in Canadian dollars)**

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 September 30, 2021, the Company had a deficit of \$37,089,548 (December 31, 2020 - \$28,301,185), including a net loss of \$2,376,281 and \$8,788,363 for the three and nine months ended September 30, 2021 (September 30, 2020 – \$2,099,313 and \$4,755,141)

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 November 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 operations 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 Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2021 and 2020
(Unaudited - expressed in Canadian dollars)

2. Basis of Presentation (continued)

d) Principles of Consolidation

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

Subsidiary	Jurisdiction	Functional Currency	% Ownership
12632926 Canada Ltd.	Ontario, Canada	Canadian Dollars	100%
Cloud DX, Inc. (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 Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2021 and 2020
(Unaudited - expressed in Canadian dollars)**

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 Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2021 and 2020
(Unaudited - expressed in Canadian dollars)**
5. Reverse Takeover (continued)

Consideration: Share Capital	\$1,557,823
Consideration: Share-based payment reserve	52,029
Consideration: Warrant reserve	19,426
Fair value of consideration	\$1,629,278
<hr/>	
Cash and cash equivalents	\$646,329
Loan receivable	250,000
Other assets	16,644
Accounts payable and accrued liabilities	(6,801)
Net assets acquired	\$906,172
Non-cash listing expense	723,106
Total	\$1,629,278

The Company recognized \$1,634,323 as listing expenses during the period ended on September 30, 2021, which is comprised of non-cash listing expenses of \$723,106 and expenses with professional and consulting fees of \$911,217.

6. Restricted Cash

As at September 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 Guaranteed Investment Certificate (GIC) which matures on May 2, 2022. The credit facility was established in 2021.

7. Trade and other receivables

	September 30, 2021	December 31, 2020
Trade receivables	178,314	352,514
Harmonized Sales Tax receivable	165,669	74,723
Tenant improvement allowance receivable	113,097	-
Less expected credit losses	(23,493)	(8,283)
Total Trade and other receivables	433,587	418,954

8. Inventories

Inventories are comprised of the following:

	September 30, 2021	December 31, 2020
Finished Goods	456,299	462,750
Work in Progress	472,001	97,348
Total Inventories	928,300	560,098

Inventory recognized as an expense during the period ended on September 30, 2021 amounted to \$237,302 (2020 - \$554,845).

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

9. Intangible Assets

December 31, 2020	544,950
Additions	-
Less amortization	(109,573)
Foreign exchange	(1,599)
September 30, 2021	433,778

10. Property, Plant & Equipment

December 31, 2020	97,726
Additions	61,327
Less depreciation	(31,931)
Foreign exchange	(753)
September 30, 2021	126,369

11. Asset in progress

December 31, 2020	64,867
Additions	134,542
Less progress payments reimbursed or receivable	(172,504)
September 30, 2021	26,905

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 \$70,302 (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

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

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 nine-month periods ended September 30, 2021, the Company sold the equivalent of nil and 810,178 shares pre reverse split respectively (2020 – 237,063 and 433,149) generating proceeds of nil and \$633,777 (US\$506,374) respectively (2020 – \$112,036 (US\$82,237) and \$183,448 (US\$134,596)).

During the three- and nine-month periods ended September 30, 2021, a realized gain of nil and \$207,887 (US\$166,097), respectively (unrealized gain of \$428,596 and realized loss of \$66,707 for the three months ended September 30, 2020 and unrealized gain of \$171,036 and realized loss of \$82,181 for the nine months ended September 30, 2020) was recorded on the consolidated statement of operations and comprehensive loss.

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)	43,917,607	\$	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
Balance at September 30, 2021	72,094,396		30,260,087

- 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, 2021 CDX issued 528470 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, 2021 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, 2021 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 (\$5,276,327 net of issuance costs). The Company issued 6,095,000 warrants with each

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warrant exercisable into one common share at a price of \$0.65 per share until April 13, 2023. 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 nine months ended September 30, 2021, the Company incurred a net loss; warrants and options were antidilutive.

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 72,730 incentive share options or non-qualified share options issued and 78,324 incentive share options or non-qualified share options forfeited in the three and nine months ended September 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 nine months ended September 30, 2021, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of \$18,485 and \$967,432 (2020 - \$109,602 and \$278,005) 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.

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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 less forfeitures	4,599,369
Issued and outstanding options as at September 30, 2021	4,973,411

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.

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:

	September 30, 2021	December 31, 2020
	\$	\$
Right of use assets		
Opening right of-use asset	1,234,892	429,935
New leases	633,777	808,493
Disposal	(172,609)	-
Foreign exchange	(33,491)	(3,536)
Closing right of use asset	1,662,569	1,234,892
Accumulated depreciation		
Opening accumulated depreciation	(479,415)	(335,943)
Depreciation for the period	(144,354)	(147,823)
Disposal	172,609	-
Foreign exchange	3,328	4,351
Closing accumulated depreciation	(447,832)	(479,415)
Right of use assets, net	1,214,737	755,477

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Lease liabilities		
Opening Lease Liability	776,868	46,135
Accretion during the year	52,850	21,605
Principal payments	(146,267)	(81,908)
New leases	592,616	790,769
Foreign exchange	10,821	266
Closing lease liabilities	1,286,888	776,867
Current portion	216,508	138,403
Non-Current portion	1,070,380	638,464

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.

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 \$110,107.

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:

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	Carrying Amount	Total	Contractual payments due		
			Less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	\$1,282,039	\$ 1,282,039	\$ 1,282,039	\$ –	\$ –
Lease liabilities	1,286,888	1,286,888	216,508	944,248	126,132
Advances from related parties	105,534	105,534	105,534		
Loans Payable	289,532	450,000	-	233,324	216,676
Total	2,963,993	3,124,461	1,604,081	1,177,572	342,808

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 September 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.

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
	\$5,467,014

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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:

	Issuance date January 31, 2021	Revaluation date April 12, 2021
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.

19. Loans Payable

In the nine months ended September 30, 2021, CDX received \$450,000 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 \$178,650 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 September 30, 2021 is \$289,532 after assuming an discount rate of 12.45% to calculate the portion attributable to government funding.

20. Related party transactions

During the three and nine months ended September 30, 2021 the Company has recorded an expense associated with consulting fees and wages to directors and officers and their wholly owned companies of \$246,378 and \$710,150 respectively (2020 - \$185,401 and \$604,604).

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

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 nine months ended September 30:

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	3 months 2021	3 months 2020	9 months 2021	9 months 2020
Contractor expense for services	\$77,315	\$91,327	\$280,492	\$322,234
Wages	136,063	94,074	396,658	282,370
Share-based payments expense	6,503	27,664	436,043	92,658
Directors' fees	33,000	-	33,000	-
Total key management compensation	\$252,881	\$213,065	\$1,146,193	\$697,262

21. Revenue from contracts with customers

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

	3 months 2021	3 months 2020	9 months 2021	9 months 2020
Canada	\$90,167	\$175,725	639,262	677,195
United States	34,452	30,979	137,151	132,385
Total	\$124,619	\$206,704	\$776,413	\$809,580

22. Supplementary cash flow information

Change in working capital for the nine months ended September 30, 2021 and 2020:

	2021	2020
Trade and other receivables	\$81,992	\$(78,861)
Prepaid expenses and deposits	(91,370)	(135,902)
Inventories	(61,596)	(255,972)
Contract assets	(4,991)	12,313
Accounts payables and accrued liabilities	(291,277)	293,860
Deferred income	(169,760)	377,352
Advances from related parties	(150,912)	(164,322)
Total change in working capital	\$(687,914)	\$48,468

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23. Change in functional and presentation 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 functional currency due to US dollar denominated revenue and expenses. The presentation currency of the consolidated financial statements has also changed from US to Canadian dollars. Historical exchange rates were used for equity components of the statement of financial position, monetary assets were exchanged at the current rate of 1.2516 (2020 - 1.3630) as at the period end and the statement of operations items were translated using an average rate for the period of 1.2741 (2020 - 1.3339).

24. Subsequent events

On October 1, 2021, the Company raised \$2,192,000 of convertible debentures (\$1,890,295 net of issuance costs). The Company issued 2,192 units at a price of \$1,000. The convertible debentures are unsecured, bear interest at 10% per annum and mature on October 1, 2024. Each \$1,000 debenture may be converted to common shares at a price of \$0.35 at any time prior to maturity and carries 1,430 common share purchase warrants entitling the holder to acquire one common share at a price of \$0.50. The warrants expire October 1, 2023.