



# **Condensed Interim Consolidated Financial Statements of Cloud DX Inc.**

**For the Three Months Ended March 31, 2023 and 2022**

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



Cloud DX Inc.

## Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2023 and December 31, 2022 (stated in CAD dollars, unless otherwise stated)

	March 31, 2023	December 31, 2022
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 88,461	\$ 69,536
Restricted cash (Note 5)	60,060	60,060
Trade and other receivables (Note 6)	426,153	179,700
Inventories (Note 7)	173,881	185,135
Prepaid expenses and deposits	62,656	91,640
Contract assets	28,524	28,547
	<b>839,735</b>	<b>614,618</b>
<b>Non-Current Assets:</b>		
Intangible assets (Note 8)	460,617	263,496
Property, plant and equipment (Note 9)	104,289	119,904
Right of use asset (Note 13)	827,494	899,141
Inventories (Note 7)	409,346	409,346
<b>Total Assets</b>	<b>2,641,481</b>	<b>2,306,505</b>
<b>Liabilities and Shareholders' Deficit</b>		
<b>Current Liabilities:</b>		
Trade and other payables	4,472,996	3,490,896
Deferred income	412,537	364,718
Current portion of lease liabilities (Note 13)	310,604	293,357
Advances from related parties (Note 18)	97,715	267,333
Loans from related parties (Note 18)	56,728	1,151,880
Current portion of loan payable (Note 17)	83,330	58,331
Current portion of convertible debt (Note 15)	2,186,418	2,050,909
	<b>7,620,328</b>	<b>7,677,424</b>
<b>Non-Current Liabilities:</b>		
Lease liabilities (Note 13)	665,716	749,022
Loan payable (Note 17)	519,366	302,092
Convertible debt (Note 15)	5,582,769	5,224,674
<b>Total liabilities</b>	<b>14,388,179</b>	<b>13,953,212</b>
<b>Shareholders' Deficit:</b>		
Share capital (Note 10)	32,809,328	30,260,087
Contributed surplus (Note 18)	138,882	138,464
Deficit	(52,876,756)	(50,175,076)
Share-based payment reserve (Note 11)	6,049,565	6,049,565
Warrant reserve	1,541,750	1,530,146
Conversion feature on convertible debt (Note 15)	573,498	573,498
Accumulated other comprehensive loss	(17,035)	(23,391)
	<b>(11,746,698)</b>	<b>(11,646,707)</b>
<b>Total Liabilities and Shareholders' Deficit</b>	<b>2,641,481</b>	<b>2,306,505</b>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

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



Cloud DX Inc.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

	March 31, 2023	March 31, 2022
<b>Revenue:</b>		
Subscription revenue	\$ 217,669	\$ 86,708
Product sales	317,019	227,321
Professional services	32,166	23,235
Other	1,152	-
	<b>568,006</b>	<b>337,263</b>
Cost of inventories sold (Note 7)	<b>(179,081)</b>	<b>(200,186)</b>
Gross profit	<b>388,925</b>	<b>137,078</b>
<b>Operating expenses:</b>		
Advertising and promotion	<b>(107,464)</b>	<b>(138,602)</b>
Amortization & depreciation	<b>(126,338)</b>	<b>(122,126)</b>
Dues and memberships	<b>(111,449)</b>	<b>(77,397)</b>
Insurance	<b>(55,334)</b>	<b>(22,999)</b>
Office and data	<b>(143,651)</b>	<b>(96,183)</b>
Professional fees	<b>(336,848)</b>	<b>(441,417)</b>
Research	<b>(18,668)</b>	<b>(82,371)</b>
Salaries, wages and benefits	<b>(1,674,575)</b>	<b>(1,377,256)</b>
Travel	<b>(23,292)</b>	<b>(7,498)</b>
Other general and administrative	<b>(1,931)</b>	<b>-</b>
	<b>(2,599,550)</b>	<b>(2,365,848)</b>
<b>Operating loss</b>	<b>(2,210,625)</b>	<b>(2,228,771)</b>
<b>Other (expenses)/ income:</b>		
Foreign exchange gain/(loss)	<b>(181)</b>	<b>112</b>
Interest expense	<b>(569,581)</b>	<b>(55,642)</b>
Government funding and grant income (Note 19)	<b>80,887</b>	<b>84,991</b>
Listing expense	<b>-</b>	<b>(5,720)</b>
Transaction fees	<b>(2,180)</b>	<b>-</b>
	<b>(491,055)</b>	<b>23,740</b>
Loss before income taxes	<b>(2,701,680)</b>	<b>(2,205,031)</b>
Income taxes	<b>-</b>	<b>-</b>
<b>Net loss</b>	<b>(2,701,680)</b>	<b>(2,205,031)</b>
Other comprehensive loss:		
Foreign exchange translation adjustment	<b>40,425</b>	<b>-</b>
<b>Comprehensive loss</b>	<b>(2,661,255)</b>	<b>(2,205,031)</b>
<b>Basic and diluted loss per share</b>	<b>(0.04)</b>	<b>(0.03)</b>
Weighted average number of shares outstanding	<b>75,398,374</b>	<b>72,094,396</b>

See accompanying notes to consolidated financial statements.


**Cloud DX Inc.**
**Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit**

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

	Number of shareholders' shares	Share capital (Note 11)	Share-based payment reserve (Note 12)	Warrants reserve (Note 12)	Other Equity	Accumulated other comprehensiv e loss / (income)	Deficit	Total  (Note 20)
<b>December 31, 2021</b>	<b>72,094,396</b>	<b>30,433,684</b>	<b>5,983,136</b>	<b>1,349,790</b>	<b>78,735</b>	<b>(15,314)</b>	<b>(39,558,051)</b>	<b>(1,728,020)</b>
Contributed surplus (Note 19)					138,464			138,464
Warrant issuance (Note 11)	-	-	-	301,046	-	-	-	301,046
Issuance cost	-	-	-	(40,913)	(43,624)	-	-	(84,537)
Share-based compensation (Note 12)	-	-	66,429	-	-	-	-	66,429
Recovery of deferred tax on issuance cost (Note 22)	-	(173,597)	-	(79,777)	(194,112)	-	-	(447,486)
Conversion feature of convertible debt (Note 16)	-	-	-	-	732,499	-	-	732,499
Net loss and comprehensive loss for the year	-	-	-	-	-	(8,077)	(10,617,025)	(8,423,709)
<b>December 31, 2022</b>	<b>72,094,396</b>	<b>30,260,087</b>	<b>6,049,565</b>	<b>1,530,146</b>	<b>711,962</b>	<b>(23,391)</b>	<b>(50,175,076)</b>	<b>(11,646,707)</b>
Private placement (Note 11)	18,584,878	2,601,884	-	-	-	-	-	<b>2,601,884</b>
Contributed surplus (Note 19)	-	-	-	-	418	-	-	<b>418</b>
Issuance cost	-	(52,643)	-	11,604	-	-	-	<b>(41,039)</b>
Net loss and comprehensive loss for the year	-	-	-	-	-	40,426	(2,701,680)	<b>(2,661,254)</b>
<b>March 31, 2023</b>	<b>90,679,274</b>	<b>32,809,328</b>	<b>6,049,565</b>	<b>1,541,750</b>	<b>712,380</b>	<b>17,035</b>	<b>(52,876,756)</b>	<b>(11,746,698)</b>

See accompanying notes to consolidated financial statements.



Cloud DX Inc.

## Condensed Interim Consolidated Statements of Cash Flow

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

	March 31, 2023	March 31, 2022
Cash flows used in operating activities:		
Net loss	\$ (2,701,680)	\$ (2,205,031)
Items not affecting cash:		
Depreciation of property, plant and equipment and right-of-use	86,869	73,214
Amortization of intangible assets	39,469	36,954
Bad debt (income) expense	-	45
Interest expense on lease liabilities (Note 13)	19,421	-
Interest accretion on FedDev loan	10,873	-
Interest expense on convertible debt (Note 15)	436,297	-
Changes in working capital (Note 16)	606,776	760,509
Amortization of issuance cost (Note 15)	57,307	-
Net foreign exchange gain	7,385	(25,469)
<b>Cash used in operating activities</b>	<b>(1,437,284)</b>	<b>(1,359,778)</b>
Cash flows generated from (used in) investing activities:		
Purchase of intangible assets (Notes 8 & 10)	(236,828)	-
Purchase of property, plant and equipment (Note 9)	-	110,168
<b>Cash (used in) generated from investing activities</b>	<b>(236,828)</b>	<b>110,168</b>
Cash flows generated from financing activities:		
Proceeds from the issuance of units (Note 10)	897,493	-
Proceeds from issuance of convertible debt, net of issuance costs (Note 15)	-	1,297,421
Proceeds from advances from investors (Note 17)	231,400	-
Payment for lease obligation (Note 13)	(79,533)	(65,275)
Proceeds from related party loans (Note 18)	613,805	-
Related party interest (Note 18)	29,874	-
Proceeds from FedDev Loan (Note 17)	-	288,831
<b>Cash generated from financing activities</b>	<b>1,693,038</b>	<b>1,520,976</b>
Increase in cash and cash equivalents	18,927	271,366
Effect of exchange rates on cash and cash equivalents	(2)	-
Cash and cash equivalents, beginning of the period	129,596	78,742
<b>Cash and cash equivalents, end of the period</b>	<b>148,521</b>	<b>350,108</b>
Cash	88,461	69,536
Restricted cash	60,060	60,060

See accompanying notes to consolidated financial statements.



Cloud DX Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

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### 1. Nature of operations

Cloud DX Inc. ("Cloud DX" or the "Company") is a remote patient monitoring company that is a Health Canada licensed, US Food and Drug Administration registered medical device manufacturer and software developer offering a complete "end-to-end" virtual healthcare platform called Cloud DX Connected Health. The Company has developed and cleared through regulatory agencies a family of proprietary medical devices, each of which collects multiple vital signs. Cloud DX customers purchase Connected Health in order to remotely monitor patients with serious chronic illness including chronic obstructive pulmonary disease ("COPD") and congestive heart failure ("CHF"), as well as patients recovering from surgery and, more recently, Covid-19 patients decanted from hospitals. Typical Cloud DX customers include large hospitals and provincial health authorities in Canada, and physician practices and hospitals in the United States.

Cloud DX is focused on offering the best possible virtual care experience. By manufacturing proprietary vital sign devices, the Company can constantly improve the patient user experience (UX), making virtual care more engaging for those who need it most. By collecting unique and accurate remote data, clinicians have more information to use in therapeutic decision making, while streamlining workflow with automated monitoring. Using advanced data science techniques, patterns are identified in patient generated data that indicate the probability of poorer health outcomes, enabling rapid intervention and saving lives. By managing the full patient-to-provider experience, costs can be reduced with improved return on investment for healthcare payers including Canadian health ministries, US Medicare and private insurance providers.

### 2. Going concern

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

As at March 31, 2023, the Company had a deficit of \$52,875,256 (December 31, 2022 - \$50,175,076). During the three months ended March 31, 2023, the Company incurred a net loss of \$2,700,180 and a negative operating cashflow of \$1,873,581 (March 31, 2022 – net loss of \$2,205,031 and negative operating cashflow of \$9,180,938). As at March 31, 2023, the Company's current liabilities exceeded its current assets by \$6,874,984 (December 31, 2022 – \$7,062,806).

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 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. Hence such adjustments would be material to the financial reporting of the Company.



Cloud DX Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

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### 3. Significant accounting policies

#### Statements of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on May 14, 2023.

#### Basis of measurement and presentation

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

#### Functional and presentation currency

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

In 2021, the Company changed the accounting policy for the presentation currency of these consolidated financial statements from USD to CAD.

#### Basis of consolidation

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

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

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

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



Cloud DX Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

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

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

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

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

### 4. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. The estimates and judgements applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2022 (see Note 4).

### 5. Restricted cash

As at March 31, 2023, the Company had \$60,060 (\$60,000 in 2022) 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 4, 2023. The credit facility was established in 2021.

### 6. Trade and other receivables

	March 31, 2023	December 31 2022
Trade receivables	367,493	86,909
Harmonized Sales tax receivable	66,522	100,662
Less expected credit losses	(7,864)	(7,871)
	426,151	179,700

#### Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The maximum credit risk exposure associated with the trade receivables is the carrying value.





Cloud DX Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

### 7. Inventory

	March 31, 2023	December 31 2022
Finished goods	173,881	185,135
Goods in work in progress (short-term)	-	-
Goods in work in progress (long-term)	409,346	409,346
	583,227	594,481

Inventory related to sales recognized as cost of goods sold during the period ended March 31, 2022 amounted to \$179,081 (2022 - \$200,186). The Company has classified inventory as long-term where the expected sale is beyond one year from March 31, 2023.

### 8. Intangible assets

#### Intangible assets

Intangible assets include intellectual property acquired from a third party. The movements of the Company's intangibles are summarized as follows:

		Intellectual Property
<b>Cost</b>		
<b>Balance at December 31, 2021</b>	\$	1,479,880
Foreign exchange difference		101,086
<b>Balance at December 31, 2022</b>	\$	1,580,966
Additions		236,828
Foreign exchange difference		(1,284)
<b>Balance at March 31, 2023</b>	\$	1,816,510
<b>Accumulated amortization and impairment</b>		
<b>Balance at January 1, 2022</b>	\$	(1,085,244)
Amortization		(151,864)
Foreign exchange difference		(80,362)
<b>Balance at December 31, 2022</b>	\$	(1,317,471)
Amortization		(39,492)
Foreign exchange difference		1,070
<b>Balance at March 31, 2023</b>	\$	(1,355,893)
<b>Carrying amounts</b>		
<b>Balance at December 31, 2022</b>	\$	263,496
<b>Balance at March 31, 2023</b>	\$	460,617

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



Cloud DX Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

### 9. Property, plant and equipment

The following represents property, plant and equipment, net by class:

	Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Leasehold Improvements	Total Value
<b>Cost</b>						
January 1, 2022	\$ 119,931	27,078	9,757	100,640	57,990	315,401
Additions	9,610	-	-	1,086	2,348	13,044
Foreign exchange	248	192	-	902	-	1,342
December 31, 2022	129,789	27,270	9,757	102,627	60,338	329,787
Additions	-	-	-	-	-	-
Foreign exchange	(1)	(2)	-	(8)	-	16
<b>March 31, 2023</b>	<b>129,788</b>	<b>27,268</b>	<b>9,757</b>	<b>102,619</b>	<b>60,338</b>	<b>329,771</b>

	Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Leasehold Improvements	Total Value
<b>Accumulated depreciation</b>						
		\$				
January 1, 2022	\$ 68,941	18,166	9,757	43,890	3,624	144,382
Amortization	30,883	1,935	-	17,964	14,719	65,502
Foreign exchange	1	-	-	(1)	-	-
Balance at December 31, 2022	99,825	20,101	9,757	61,853	18,343	209,884
Amortization	7,247	448	-	4,275	3,643	15,613
Foreign exchange	(2)	(1)	-	(7)	(1)	(11)
<b>Balance at March 31, 2023</b>	<b>107,070</b>	<b>20,548</b>	<b>9,757</b>	<b>66,121</b>	<b>21,985</b>	<b>225,482</b>



Cloud DX Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Carrying amounts

<b>Balance at December 31, 2022</b>	<b>29,966</b>	<b>7,169</b>	<b>-</b>	<b>40,774</b>	<b>41,995</b>	<b>119,904</b>
<b>Balance at March 31, 2023</b>	<b>22,718</b>	<b>6,720</b>	<b>-</b>	<b>36,498</b>	<b>38,353</b>	<b>104,289</b>

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

	March 31 2023	December 31 2022
<b>Property and equipment, net</b>		
Canada	\$	102,489
United States of America	\$	1,800
<b>Total property and equipment, net</b>		<b>119,904</b>

## 10. Share capital

### Authorized and issued

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

	Number of Shares	Total Value
<b>Balance at January 1, 2022</b>	<b>72,094,396</b>	<b>\$ 30,433,684</b>
Recovery of deferred tax on issuance cost	-	(173,597)
<b>Balance at December 31, 2022</b>	<b>72,094,396</b>	<b>30,260,087</b>
Recovery of deferred tax on issuance cost	-	-
Private placement	18,584,878	2,601,884
<b>Balance at March 31, 2023</b>	<b>90,679,274</b>	<b>32,861,971</b>

During the three months ended March 31, 2023, the Company 18,584,878 Units at a price of \$0.14 per Unit for aggregate gross proceeds of \$2,601,884 in additional share capital from the first tranche of the private placement on March 15, 2023. The gross proceeds included cash proceeds of \$613,805, conversion of related party loans of \$1,838,942 (\$nil in 2022 – see Note 18) and acquisition of intangible asset of \$149,137 (see Note 8).



Cloud DX Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

### 11. Share-based payments

the three months ended March 31, 2023, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of \$nil (2022 - \$66,429).

The Company observed similar public companies and its own share price volatility in order to estimate volatility over the estimated life of the option. Changes in these variables can materially impact the estimated fair value of share-based compensation and consequently, the related amount recognized to share-based compensation expenses in the consolidated statements of loss and comprehensive loss.

The following is a summary of share options for the periods ended March 31, 2023 and December 31, 2022 after adjusting for the 22.3783 exchange ratio for the CDX options (see Note 5) and the 4.8123 consolidation ratio for the Roosevelt options.

	Average exercise price per share option	Number of options
<b>As at January 1, 2022</b>	\$0.64	4,413,953
Cancelled during the year	-	-
Granted during the year	\$0.35	565,363
Forfeited during the year	\$0.64	(1,972,347)
Exercised during the year	-	-
<b>As at December 31, 2022</b>	<b>\$0.58</b>	<b>3,006,969</b>
Cancelled during the quarter	-	-
Granted during the year	\$0.35	565,363
Forfeited during the year	\$0.64	(1,972,347)
Exercised during the year	-	-
<b>As at December 31, 2022</b>	<b>\$0.58</b>	<b>3,006,969</b>
<b>Vested and exercisable at December 31, 2022</b>	<b>\$0.61</b>	<b>2,713,938</b>
<b>Vested and exercisable at March 31, 2023</b>	<b>\$0.61</b>	<b>2,713,938</b>

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



Cloud DX Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Grant Date	Expiry Date	Exercise price	# of Share options	
			March 31, 2023	December 31, 2022
Apr 2021	Apr 2026	\$0.48-\$0.65	2,528,581	2,528,581
Feb 2022	Feb 2027	\$0.35	478,388	478,388
<b>Total</b>			<b>3,006,969</b>	<b>3,006,969</b>
Weighted average remaining contractual life of options outstanding at end of period (in years)			3.84	3.84

## 12. 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.

## 13. Leases

### Short Term Leases

The Company and its subsidiaries are parties to various rent and software license costs. For leases in which the lease has a term less than 12 months on the commencement date, all commitments are on a month-to-month basis and can be cancelled at any time within a 30 to 60-day notice period.

### Long Term Leases

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

	March 31, 2023	December 31, 2022
<b>Right of use assets</b>		
Opening right of-use asset	\$ 1,456,802	1,415,798
Foreign exchange	(391)	41,004
Closing right of use asset	1,456,411	1,456,802
	March 31, 2023	December 31, 2022
<b>Accumulated depreciation</b>		
Opening accumulated depreciation	\$ (557,661)	(266,423)
Depreciation for the period	(71,256)	(282,569)
Foreign exchange	-	(8,670)
Closing accumulated depreciation	(628,917)	(557,661)
<b>Right of use assets, net</b>	827,494	899,141



Cloud DX Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

<b>Lease liabilities</b>			
Opening Lease Liability	\$	1,042,380	\$ 1,236,773
Accretion/payment during the year		19,421	89,840
Principal payments		(79,533)	(318,258)
New leases		-	-
Foreign exchange		(5,947)	34,025
Closing lease liabilities		976,320	1,042,380

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 (2021 – 5 years).

## 14. Financial risks

### Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company has revenue and purchases that are denominated in a currency other than the functional currency of the Company, being the US dollar. These transactions are primarily denominated in Canadian dollars. The Company does not currently enter into forward contracts to mitigate this risk. There have been no changes in the risk exposure from fiscal 2021.

As at March 31, 2023 and 2022, a 5% increase/decrease in the currency rate would increase/decrease the net loss by less than \$1,000.

### 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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					March 31, 2023
					Payments due
		Total	less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	\$	4,472,996	4,472,996	-	-
Lease liabilities		976,320	310,604	558,641	107,076
Advances from related parties		97,715	97,715	-	-
Loans from related parties		56,728	56,728	-	-
Loan payable		500,000	83,330	299,988	116,682
Convertible debt principal		8,525,000	1,990,000	6,535,000	-
Convertible debt interest payments		1,525,590	621,400	904,190	-
		<b>16,154,350</b>	<b>7,632,773</b>	<b>8,297,819</b>	<b>223,758</b>

### Credit risk

Credit risk is that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from cash and trade and other receivables. As at March 31, 2023 and 2022, the trade and other receivables were within normal repayment terms and the Company had recorded expected credit losses as disclosed in Note 6.

### Interest rate risk

The Company's loans from related parties and convertible debt bear interest at fixed rates. As a result, the Company is exposed to fair value interest rate risk due to fluctuations in the prime rate.



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### 15. Convertible debt

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

Debentures	Debt host value	Fair value of warrants	Conversion feature	Total
<b>Balance at January 1, 2022</b>	\$1,525,962	\$154,472	\$78,735	\$1,759,169
Convertible debt issued (net of issuance cost) (i)	5,048,201	196,048	688,875	5,933,124
Issuance of broker warrants	-	64,086	-	64,086
Interest and accretion expense	905,063	-	-	905,063
Payment of interest	(397,733)	-	-	(397,733)
Amortization of issuance cost	194,089	-	-	194,089
Recovery of tax on issuance cost	-	(79,777)	(194,112)	(273,889)
<b>Balance at December 31, 2022</b>	<b>7,275,583</b>	<b>334,829</b>	<b>573,498</b>	<b>8,183,910</b>
Convertible debt issued (net of issuance cost)	-	-	-	-
Issuance of broker warrants	-	11,604	-	11,604
Interest and accretion expense	436,297	-	-	436,297
Payment of interest	-	-	-	-
Amortization of issuance cost	57,307	-	-	57,307
Recovery of tax on issuance cost	-	-	-	-
<b>Balance at March 31, 2023</b>	<b>7,769,187</b>	<b>346,433</b>	<b>573,498</b>	<b>8,689,118</b>
Current	2,186,418	-	-	2,186,418
Non-current	5,582,769	346,433	573,498	6,744,609
<b>Total</b>	<b>7,769,187</b>	<b>346,433</b>	<b>573,498</b>	<b>8,689,118</b>

- (i) The Company issued the following financial instruments during the fiscal year 2022:
- On November 25, 2022, the Company issued 2,328 units of \$1,000 convertible debentures for the total gross proceeds of \$2,328,000. Convertible debentures are accrued at interest rate of 18% payable at maturity and are convertible into common shares at a price of \$0.16 per share at the discretion of holder anytime before maturity date of May 25, 2024. As part of commission for financing convertible debentures, the Company issued 115,000 broker warrants having an exercise price of \$0.16 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 31% and the remaining transaction price was allocated to conversion feature classified as equity.
  - On July 6, 2022, the Company issued 1,990 units of \$1,000 convertible debentures for the total gross proceeds of \$1,990,000. Convertible debentures are accrued at interest rate of 18% payable at maturity and are convertible into common shares at a price of \$0.15 per share at the discretion of holder anytime before maturity date of July 6, 2023. As part of commission for financing convertible debentures, the Company issued 138,333 broker warrants having an exercise price of \$0.15 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 28% and the remaining transaction price was allocated to conversion feature classified as equity.
  - On April 14, 2022, the Company issued 180 units of a financial instrument for the total gross proceeds of \$180,000. Each unit provides for \$1,000 convertible debt and 1,430 warrants. Convertible debt is accrued





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at interest rate of 10% payable quarterly and is convertible into common shares at a price of \$0.35 per share at the discretion of holder anytime before maturity date of January 27, 2025. Warrants have an exercise price of \$0.50 per share and a term of 2 years. As part of commission for financing convertible debt, the Company issued 41,143 broker warrants having an exercise price of \$0.35 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 22% and the remaining transaction price was allocated to warrants based on their fair value using the Black Scholes model with the residual being allocated to conversion feature classified as equity. Key assumptions have been listed in the below table.

- d. On March 18, 2022, the Company issued 260 units of a financial instrument for the total gross proceeds of \$260,000. Each unit provides for \$1,000 convertible debt and 1,430 warrants. Convertible debt is accrued at interest rate of 10% payable quarterly and is convertible into common shares at a price of \$0.35 per share at the discretion of holder anytime before maturity date of January 27, 2025. Warrants have an exercise price of \$0.50 per share and a term of 2 years. As part of commission for financing convertible debt, the Company issued 37,142 broker warrants having an exercise price of \$0.35 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 22% and the remaining transaction price was allocated to warrants based on their fair value using the Black Scholes model with the residual being allocated to conversion feature classified as equity. Key assumptions have been listed in the below table.
- e. On January 27, 2022, the Company issued 1,575 units of a financial instrument for the total gross proceeds of \$1,575,000. Each unit provides for \$1,000 convertible debt and 1,430 warrants. Convertible debt is accrued at interest rate of 10% payable quarterly and is convertible into common shares at a price of \$0.35 per share at the discretion of holder anytime before maturity date of January 27, 2025. Warrants have an exercise price of \$0.50 per share and a term of 2 years. As part of commission for financing convertible debt, the Company issued 348,286 broker warrants having an exercise price of \$0.35 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 22% and the remaining transaction price was allocated to warrants based on their fair value using the Black Scholes model with the residual being allocated to conversion feature classified as equity. Key assumptions have been listed in the below table.

Note the Company is currently in default on a quarterly interest payment due on March 31, 2023 for the aggregate amount of \$103,734. The default on the interest payment applies to the 10% unsecured convertible debentures of Cloud DX Inc which are due October 1, 2024 and January 27, 2025. Under the terms of the Debenture Indenture, default on the 10% unsecured debenture also triggers a default notice on the 18% secured convertible debentures of Cloud DX Inc which are due July 6, 2023 and May 5, 2024, however since interest on the secured debentures is accrued until maturity there is no cash default applicable thereon.

Issuance date	27-Jan-2022	18-Mar-2022	14-Apr-2022
Risk-free interest rate	1.23%	1.83%	2.35%
Expected volatility	90%	90.45%	89.55%
Expected dividends	\$nil	\$nil	\$nil
Exercise price	\$0.35 - \$0.50	\$0.35 - \$0.50	\$0.35 - \$0.50
Expected life	2 years	2 years	2 years



Cloud DX Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 16. Supplementary cash flow information

#### Change in working capital

	March 31, 2023	March 31, 2022
Trades and other receivables	\$(246,451)	\$ (240,887)
Prepaid expenses	28,985	(28,450)
Inventory	11,254	138,569
Contract Assets	23	(2,239)
Related parties	(169,614)	(17,329)
Deferred income	47,821	182,733
Trade and other payable	934,758	728,111
<b>Total change in working capital</b>	<b>\$ 606,776</b>	<b>\$ 760,509</b>

### 17. Loan Payable

In the twelve months ended December 31, 2022, CDX received the remaining \$50,000 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 at \$8,333 per month (\$8,353 in the final month of May 2028).

The Company has recognized \$nil (\$26,774 in 2022) of government funding as a result of the below market interest rate and is amortizing the balance owing over the repayment period of 7 years. The carrying amount of this loan at March 31, 2023 is \$360,423 (\$360,423 in 2022) after assuming an discount rate of 20.00% (20.00% in 2022) to calculate the portion attributable to government funding.

Included in the loan payable are advances from third-party investors of \$231,400 (\$nil in 2022), which will be converted to Units in the second tranche (see Note 10).

### 18. Related party transactions

During the three months ended March 31, 2023, the Company has recorded an expense associated with consulting fees and wages to directors and officers and their wholly owned companies of \$183,291 (2022 - \$132,897). During the three months ended March 31, 2023, the Company incurred director fee expenses of \$9,000 (2022 - \$33,000).

The advances to/from related parties of \$97,715 (\$nil in 2022), relate to advances to/from certain directors of the Company. These amounts have no fixed repayment terms, are unsecured and are non-interest bearing.

In addition, related party convertible loans were made to the three months ended March 31, 2023 for \$613,805 (\$nil in 2022). The loans accrue at 5% to 10% per annum interest and are payable on maturity. The loans are convertible,



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## Notes to the Condensed Interim Consolidated Financial Statements

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at the option of the holders, into any open TSX approved Secured Convertible Debenture Offering from the Company. The loans were initially recorded at their fair values using effective interest rates, which resulted in a day 1 gain of \$88,656 recorded to contributed surplus.

During the three months ended March 31, 2023, the loans having the face value of \$1,838,942 (\$nil in 2022) were converted to Units, and a net loss of \$88,238 (\$nil in 2022) on extinguishment was recorded, with a balance of related party loans of \$56,728 outstanding as at March 31, 2023 (Refer to Notes 10 and 15). On the issuance date, the loans were discounted using market interest rates of 28-32%.

	March 31, 2023	December 31, 2022
<b>Opening Balance</b>	<b>\$ 1,151,880</b>	<b>\$ -</b>
Proceeds from related party loans	613,805	2,983,445
Fair value adjustment on related party loans allocated to contributed surplus	(418)	(138,464)
Interest expense	29,874	160,361
Accretion of fair value recorded	12,291	65,696
Loss on extinguishment	88,238	36,036
Related party loans converted to units	(1,838,942)	-
Related party loans converted to convertible debt	-	(1,955,194)
<b>Closing Balance</b>	<b>\$56,728</b>	<b>\$1,151,880</b>

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:

	3 months 2023	3 months 2022
Contractor expense for services	\$ 25,500	\$ 41,252
Wages	157,791	91,645
Directors' fees	9,000	33,000
<b>Total key management compensation</b>	<b>192,291</b>	<b>165,897</b>

### 19. Government assistance and grants

During the three months ended March 31, 2023, the total of grants received and deferred grant income from prior year recognized as income was \$80,887 (2021 - \$84,991). As at March 31, 2023 the amount of \$412,539 (2022 - \$364,718) has been deferred for recognition in the future on a consistent basis with recording the related expense.



Cloud DX Inc.

## **Notes to the Condensed Interim Consolidated Financial Statements**

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### **20. Subsequent events**

As of April 1, 2023, the Company is in default on a convertible debenture quarterly interest payment which was due on March 31, 2023 for the aggregate amount of \$103,734. The Company is working with the debenture Trustee Odyssey Trust Company to cure the default in a reasonable period of time.

In April 2023, the Company embarked on a rightsizing of its business overheads, which involved a reduction in certain operating expenses, so the Company can better focus on its core business.

On May 1st, 2023, the Company announced that due to a short delay in finalizing the 2022 year-end financial audit, the Corporation's auditors did not anticipate completing the Corporation's annual audited financial statements and Management Discussion and Analysis (MD&A) for the financial year ended December 31, 2022 on the filing deadline of May 1, 2023.

Auditors stated that the delay in filing the 2022 financial statements and MD&A on time was due to unforeseen delays in obtaining third party information and confirmations as required. As a result, the Corporation applied for and received a management cease trade order ("MCTO") from the applicable securities regulatory authorities giving the auditors until May 30th, 2023 to complete the 2022 filings.

Cloud DX completed and filed the audited financial statements and Management Discussion and Analysis (MD&A) for the financial year ended December 31, 2022 on May 15th, 2023. The management cease trade order was automatically lifted on or about May 18th, 2023. The Company is in full compliance with all reporting obligations as of this date.