



Condensed Interim Consolidated Financial Statements of Cloud DX Inc.

For the Three and Six Months Ended June 30, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)



Cloud DX Inc.

Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2023 and December 31, 2022 (stated in CAD dollars, unless otherwise stated)

	June 30, 2023	December 31, 2022
Assets		
Current Assets:		
Cash and cash equivalents	\$ (85,673)	\$ 69,536
Restricted cash (Note 5)	60,060	60,060
Trade and other receivables (Note 6)	162,011	179,700
Inventories (Note 7)	170,408	185,135
Prepaid expenses and deposits	85,301	91,640
Contract assets	27,905	28,547
	420,012	614,618
Non-Current Assets:		
Intangible assets (Note 8)	412,008	263,496
Property, plant and equipment (Note 9)	88,140	119,904
Right of use asset (Note 13)	747,691	899,141
Inventories (Note 7)	409,346	409,346
Total Assets	2,077,197	2,306,505
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Trade and other payables	4,698,850	3,490,896
Deferred income	258,344	364,718
Current portion of lease liabilities (Note 13)	320,683	293,357
Advances from related parties (Note 18)	135,683	267,333
Loans from related parties (Note 18)	1,194,474	1,151,880
Current portion of loan payable (Note 17)	99,996	58,331
Current portion of convertible debt (Note 15)	4,633,064	2,050,909
	11,341,094	7,677,424
Non-Current Liabilities:		
Lease liabilities (Note 13)	580,832	749,022
Loan payable (Note 17)	505,874	302,092
Convertible debt (Note 15)	3,657,030	5,224,674
Total liabilities	16,084,830	13,953,212
Shareholders' Deficit:		
Share capital (Note 10)	32,825,241	30,260,087
Contributed surplus (Note 18)	163,379	138,464
Deficit	(55,174,017)	(50,175,076)
Share-based payment reserve (Note 11)	6,049,565	6,049,565
Warrant reserve (Note 12)	1,541,850	1,530,146
Conversion feature on convertible debt (Note 15)	573,498	573,498
Accumulated other comprehensive loss	12,851	(23,391)
	(14,007,633)	(11,646,707)
Total Liabilities and Shareholders' Deficit	2,077,197	2,306,505

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 and Six Months ended June 30, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

	Six Months Ended		Three Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue:				
Subscription revenue	\$ 428,408	\$ 198,482	\$ 210,740	\$ 111,775
Product sales	419,743	330,622	102,723	103,302
Professional services	90,879	50,384	58,713	27,149
Other	7,343	-	6,191	-
	946,373	579,489	378,367	242,225
Cost of inventories sold (Note 7)	(255,868)	(320,984)	(76,787)	(120,798)
Gross profit	690,505	258,505	301,580	121,427
Operating expenses:				
Advertising and promotion	(159,211)	(209,060)	(51,746)	(70,459)
Amortization & depreciation	(252,162)	(244,786)	(125,825)	(122,660)
Dues and memberships	(204,747)	(133,118)	(93,298)	(55,721)
Insurance	(95,461)	(84,366)	(40,127)	(61,366)
Office and data ¹	(260,596)	(150,094)	(116,945)	(53,911)
Professional fees	(534,823)	(1,031,152)	(197,975)	(589,735)
Research	(83,093)	(196,600)	(64,426)	(117,229)
Salaries, wages and benefits	(3,000,366)	(2,939,058)	(1,325,791)	(1,561,801)
Travel	(54,628)	(32,416)	(31,336)	(24,917)
Other general and administrative	(3,668)	-	(1,738)	-
	(4,648,755)	(5,023,650)	(2,049,207)	(2,657,801)
Operating loss	(3,958,250)	(4,765,145)	(1,747,627)	(2,536,374)
Other (expenses)/ income:				
Foreign exchange gain/(loss)	(1,910)	(1,461)	(1,726)	(1,572)
Interest expense	(1,198,501)	(115,297)	(628,920)	(59,655)
Government funding and grant income (Note 19)	165,300	395,953	84,413	310,962
Transaction fees and listing expense	(5,580)	(7,368)	(3,400)	(1,648)
	(1,040,691)	271,828	(549,633)	248,087
Loss before income taxes	(4,998,941)	(4,493,317)	(2,297,260)	(2,288,287)
Income taxes	-	-	-	-
Net loss	(4,998,941)	(4,493,317)	(2,297,260)	(2,288,287)
Other comprehensive loss:				
Foreign exchange translation adjustment	36,242	-	(4,183)	-
Comprehensive loss	(4,962,699)	(4,493,317)	(2,301,443)	(2,288,287)
Basic and diluted loss per share	(0.06)	(0.06)	(0.03)	(0.03)
Weighted average number of shares outstanding	83,086,948	72,094,396	83,086,948	72,094,396

See accompanying notes to consolidated financial statements.

¹ For the six months ended June 30, 2023, Office and data expenses were higher by \$110,502 mainly due to data and hosting expenses of \$132,709 (2022: \$117,880) that were included in cost of inventories in 2022.


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

For the Three and Six Months ended June 30, 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)
December 31, 2021	72,094,396	30,433,684	5,983,136	1,349,790	78,735	(15,314)	(39,558,051)	(1,728,020)
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)	(10,625,102)
December 31, 2022	72,094,396	30,260,087	6,049,565	1,530,146	711,962	(23,391)	(50,175,076)	(11,646,707)
Private placement (Note 11)	8,026,309	1,123,684	-	-	-	-	-	1,123,684
Contributed surplus (Note 19)	-	-	-	-	24,915	-	-	24,915
Conversion of debt	9,122,855	1,277,200	-	-	-	-	-	1,277,200
Issuance cost	-	(38,080)	-	100	-	-	-	(37,980)
Warrant exercise	10,000	1,350	-	-	-	-	-	1,350
Asset purchase	1,435,714	201,000	-	-	-	-	-	201,000
Broker warrants issuance costs	-	-	-	11,604	-	-	-	11,604
Net loss and comprehensive loss for the year	-	-	-	-	-	36,242	(4,998,941)	(4,962,699)
June 30, 2023	90,689,274	32,825,241	6,049,565	1,541,850	736,877	12,851	(55,174,017)	(14,007,633)

See accompanying notes to consolidated financial statements.



Cloud DX Inc.

Condensed Interim Consolidated Statements of Cash Flow

For the Three and Six Months ended June 30, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

	Six Months Ended	
	June 30, 2023	June 30, 2022
Cash flows used in operating activities:		
Net loss	\$ (4,998,941)	\$ (4,493,317)
Items not affecting cash:		
Depreciation of property, plant and equipment and right-of-use	163,227	158,624
Amortization of intangible assets	77,274	77,410
Bad debt (income) expense	-	45
Interest expense on lease liabilities (Note 13)	37,029	-
Interest accretion on FedDev loan	22,380	-
Interest expense on convertible debt (Note 15)	898,278	-
Changes in working capital (Note 16)	961,994	2,011,163
Amortization of issuance cost (Note 15)	116,233	-
Net foreign exchange gain	36,660	(56,109)
Cash used in operating activities	(2,685,866)	(2,302,183)
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)	-	236,034
Cash (used in) generated from investing activities	(236,828)	236,034
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)	-	2,142,968
Proceeds from advances from investors (Note 17)	231,400	-
Payment for lease obligation (Note 13)	(159,051)	(154,128)
Proceeds from related party loans (Note 18)	1,763,302	-
Related party interest (Note 18)	42,678	-
Proceeds from FedDev Loan (Note 17)	(8,333)	17,868
Cash generated from financing activities	2,767,489	2,006,708
Increase in cash and cash equivalents	(155,205)	(59,441)
Effect of exchange rates on cash and cash equivalents	(4)	-
Cash and cash equivalents, beginning of the period	129,596	78,742
Cash and cash equivalents, end of the period	(25,613)	19,301
Cash	(85,673)	19,301
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 and Six Months ended June 30, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

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 June 30, 2023, the Company had a deficit of \$55,174,017 (December 31, 2022 - \$50,175,076). During the three and six months ended June 30, 2023, the Company incurred a net loss of \$2,297,260 and \$4,998,941 and negative operating cashflows of \$1,248,582 and \$2,685,866 respectively (June 30, 2022 – net loss of \$2,288,287 and \$4,493,317 respectively, and negative operating cashflow of \$864,899 and \$2,302,183 respectively). As at June 30, 2023, the Company's current liabilities exceeded its current assets by \$10,921,082 (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



Cloud DX Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months ended June 30, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

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.

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 August 28, 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 and Six Months ended June 30, 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 June 30, 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 matured on May 4, 2023 was reinvested for another 12 months. The credit facility was established in 2021.

6. Trade and other receivables

	June 30, 2023	December 31, 2022
Trade receivables	93,528	86,909
Harmonized Sales tax receivable	76,177	100,662
Less expected credit losses	(7,694)	(7,871)
	162,011	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 and Six Months ended June 30, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

7. Inventory

	June 30, 2023	December 31, 2022
Finished goods	170,408	185,135
Goods in work in progress (short-term)	-	-
Goods in work in progress (long-term)	409,346	409,346
	579,754	594,481

Inventory related to sales recognized as cost of goods sold during the three and six months ended June 30, 2023 amounted to \$76,787 and \$255,868 respectively (2022 - \$120,798 and \$320,984 respectively). The Company has classified inventory as long-term where the expected sale is beyond one year from June 30, 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
Cost		
Balance at December 31, 2021	\$	1,479,880
Foreign exchange difference		101,086
Balance at December 31, 2022	\$	1,580,966
Additions		231,700
Foreign exchange difference		(35,485)
Balance at June 30, 2023	\$	1,777,181
Accumulated amortization and impairment		
Balance at January 1, 2022	\$	(1,085,244)
Amortization		(151,864)
Foreign exchange difference		(80,363)
Balance at December 31, 2022	\$	(1,317,471)
Amortization		(77,274)
Foreign exchange difference		29,572
Balance at June 30, 2023	\$	(1,365,173)
Carrying amounts		
Balance at December 31, 2022	\$	263,496
Balance at June 30, 2023	\$	412,008

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

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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
Cost						
January 1, 2022	\$ 119,931	27,078	9,757	100,640	57,990	315,396
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	329,782
Additions	-	-	-	-	-	-
Foreign exchange	(85)	(67)	-	(313)	-	(465)
June 30, 2023	129,704	27,203	9,757	102,314	60,338	329,317

	Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Leasehold Improvements	Total Value
Accumulated depreciation						
January 1, 2022	\$ 68,941	\$ 18,166	9,757	43,890	3,624	144,378
Amortization	30,883	1,935	-	17,964	14,719	65,501
Foreign exchange	1	-	-	(1)	-	-
Balance at December 31, 2022	99,825	20,101	9,757	61,853	18,343	209,879
Amortization	14,924	894	-	8,575	7,322	31,715
Foreign exchange	(68)	(53)	-	(296)	-	(417)
Balance at June 30, 2023	114,681	20,942	9,757	70,132	25,665	241,177



Cloud DX Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months ended June 30, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Carrying amounts

Balance at December 31, 2022	29,966	7,169	-	40,774	41,995	119,904
Balance at June 30, 2023	15,023	6,261	-	32,182	34,674	88,140

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

	June 30 2023	December 31 2022
Property and equipment, net		
Canada	\$ 86,738	118,104
United States of America	\$ 1,402	1,800
Total property and equipment, net	88,140	119,904

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
Balance at January 1, 2022	72,094,396	\$ 30,433,684
Recovery of deferred tax on issuance cost	-	(173,597)
Balance at December 31, 2022	72,094,396	30,260,087
Recovery of deferred tax on issuance cost	-	-
Warrant exercise	10,000	1,350
Private placement	18,584,878	2,601,884
Balance at June 30, 2023	90,689,274	32,863,321

During the three and six months ended June 30, 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 \$1,123,684, conversion of related party loans of \$1,277,200 (\$nil in 2022 – see Note 18) and acquisition of intangible asset of \$201,000 (see Note 8).



Cloud DX Inc.

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11. Share-based payments

During the three and six months ended June 30, 2023, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of \$nil and \$nil respectively (2022 - \$nil and \$nil respectively).

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 June 30, 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
As at January 1, 2022	\$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	-	-
As at December 31, 2022	\$0.58	3,006,969
Vested and exercisable at December 31, 2022	\$0.61	2,713,938
Vested and exercisable at June 30, 2023	\$0.61	2,713,938

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

Grant Date	Expiry Date	Exercise price	# of Share options	
			June 30, 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
Total			3,006,969	3,006,969
Weighted average remaining contractual life of options outstanding at end of period (in years)			3.84	3.84



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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months ended June 30, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

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:

		June 30, 2023		December 31, 2022
Right of use assets				
Opening right of-use asset	\$	1,456,802		1,415,798
Foreign exchange		(9,387)		41,004
Closing right of use asset		1,447,415		1,456,802
Accumulated depreciation				
Opening accumulated depreciation	\$	(557,661)		(266,423)
Depreciation for the period		(142,063)		(282,569)
Foreign exchange		-		(8,670)
Closing accumulated depreciation		(699,724)		(557,661)
Right of use assets, net		747,691		899,141
Lease liabilities				
Opening Lease Liability	\$	1,042,379	\$	1,236,773
Accretion/payment during the year		37,029		89,840
Principal payments		(159,051)		(318,258)
New leases		-		-
Foreign exchange		(18,841)		34,025
Closing lease liabilities		901,515		1,042,380



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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months ended June 30, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

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 June 30, 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:



Cloud DX Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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					June 30, 2023
					Payments due
		Total	less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	\$	4,698,850	4,698,850	-	-
Lease liabilities		901,515	320,683	473,756	107,076
Advances from related parties		135,683	135,683	-	-
Loans from related parties		1,194,474	1,194,474	-	-
Loan payable		500,000	99,996	299,988	100,016
Convertible debt principal		8,525,000	3,806,408	4,718,592	-
Convertible debt interest payments		2,284,952	2,129,402	155,550	-
		18,240,474	12,385,496	5,647,886	207,092

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, 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
Balance at January 1, 2022	\$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)
Balance at December 31, 2022	7,275,583	334,829	573,498	8,183,910
Convertible debt issued (net of issuance cost)	-	-	-	-
Issuance of broker warrants	-	11,604	-	11,604
Interest and accretion expense	904,840	-	-	904,840
Payment of interest	-	-	-	-
Amortization of issuance cost	116,233	-	-	116,233
Recovery of tax on issuance cost	-	-	-	-
Balance at June 30, 2023	8,296,656	346,433	573,498	9,216,587
Current	4,633,064	-	-	4,633,064
Non-current	3,663,592	346,433	573,498	4,583,523
Total	8,296,656	346,433	573,498	9,216,587

- (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 quarterly interest payments due on March 31, 2023 and June 30, 2023 for the aggregate amount of \$210,350. 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



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16. Supplementary cash flow information

Change in working capital

	June 30, 2023	June 30, 2022
Trades and other receivables	\$17,689	\$ 55,660
Prepaid expenses	6,340	(5,771)
Inventory	14,727	89,759
Contract Assets	641	(41,444)
Related parties	42,594	79,158
Deferred income	(106,374)	(42,165)
Trade and other payable	1,207,954	1,875,965
Total change in working capital	1,183,571	\$ 2,011,163

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 June 30, 2023 is \$605,870 (\$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 and six months ended June 30, 2023, the Company has recorded an expense associated with consulting fees and wages to directors and officers and their wholly owned companies of \$194,549 and \$386,839 (2022 - \$154,643 and \$287,553). During the three and six months ended June 30, 2023, the Company incurred director fee expenses of \$24,000 and \$33,000 (2022 - \$18,000 and \$36,000).

The advances to/from related parties of \$21,675 (\$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.



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In addition, related party convertible loans were made to the Company for the three and six months ended June 30, 2023 for \$1,125,000 and \$1,738,805 (\$1,045,000 and \$1,045,000 in 2022). The loans accrue at 5% to 10% per annum interest and are payable on maturity. The loans are convertible, 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 \$122,730 recorded to contributed surplus.

During the three and six months ended June 30, 2023, the loans having the face value of \$1,740,637 (\$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 \$1,194,474 outstanding as at June 30, 2023 (Refer to Notes 10 and 15). On the issuance date, the loans were discounted using market interest rates of 28-32%.

	June 30, 2023	December 31, 2022
Opening Balance	\$1,151,880	\$ -
Proceeds from related party loans	1,738,805	2,983,445
Fair value adjustment on related party loans allocated to contributed surplus	(122,730)	(138,464)
Interest expense	42,678	160,361
Accretion of fair value recorded	36,240	65,696
Loss on extinguishment	88,238	36,036
Related party loans converted to units	(1,740,637)	-
Related party loans converted to convertible debt	-	(1,955,194)
Closing Balance	1,194,474	\$1,151,880

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	6 months 2023	6 months 2022
Contractor expense for services	\$ 25,500	\$ 47,781	\$ 51,000	\$ 89,033
Wages	145,049	106,861	302,839	198,520
Directors' fees	24,000	18,000	33,000	36,000
Total key management compensation	194,549	172,643	386,839	323,553

19. Government assistance and grants

During the three and six months ended June 30, 2023, the total of grants received and deferred grant income from prior year recognized as income was \$84,413 and \$165,300 (2022 - \$310,962 and \$395,953). As at June 30, 2023 the amount of \$258,342 (2022 - \$364,718) has been deferred for recognition in the future on a consistent basis with recording the related expense.



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20. Subsequent events

On July 11, 2023. The Company announced its intention to complete a non-brokered private placement offering of up to 4,000 secured convertible debentures of the Company (the "Convertible Debentures") at a price of \$1,000 per Convertible Debenture for aggregate gross proceeds of up to \$4.0 million (the "Offering").

The Convertible Debentures will mature on the date that is 36 months from the date of issuance thereof (the "Maturity Date") and shall bear interest at a rate of 18.0% per annum, payable upon the earlier of the conversion date or the Maturity Date. The principal amount of the Convertible Debentures will be convertible into units of the Company (the "Units"), at the election of the holder of the Convertible Debentures, at any time prior to the Maturity Date, at a conversion price of C\$0.10. Each Unit shall be comprised of one Common Share and one common share purchase warrant (the "Warrants"). Each Warrant will entitle the holder thereof to purchase one additional Common Share at a price of \$0.15 per Common Share for a period of 36 months following the closing date of the Offering. The Warrants will be subject to an accelerated expiry provision that allows the Company to accelerate the expiry date of the Warrants to 15-days from delivery of such notice, in the event that the closing price of the Common Shares listed on the TSXV is greater than \$0.30 for twenty (20) consecutive trading days.

On July 11, 2023. The Company announced St Mary's General Hospital (SMGH) in Kitchener Ontario is increasing their deployment of Connected Health remote patient monitoring products and services provided by Cloud DX.

This new contract for Connected Health Kits and remote care monitoring services will help St. Mary's support up to 500 new patients annually and is valued at approximately \$1,700,000 CAD over the full extended contract. The contract allows support of current programs as well as the potential to expand or offer new remote care monitoring programs in the future. This contract is expected to fall within the \$3,000,000 CAD award announced by Mohawk Medbuy for the first 2 Cloud DX contracts.

On June 16, 2023, the Company raised further \$252,400 of gross proceeds in additional share capital of 1,802,855 Units at a price of \$0.14 from the second tranche of the Private Placement. Total aggregate gross proceeds under the Private Placement (including the first tranche) were \$2,854,284.

On July 20, 2023. The Company announced it has received a large expansion order for Connected Health™ Remote Patient Monitoring (RPM) products and services with Ontario Heart Centre.

The program expects to monitor up to 500 patients in a full year with expected overall revenue of approximately \$90,000 CAD. Importantly, this new RPM deployment is replacing the services of a previous vendor under an expansion of an existing program which monitors patients at home after serious surgeries.

This new use case is adding post-operative monitoring to the existing deployment of Cloud DX technology for chronic disease management that was announced on March 7, 2023, bringing the total value of this deployment to approximately \$260,000 CAD.

On July 24, 2023. The Company announced it had been awarded a competitive contract by a leading network of 12 primary care clinics in Western Canada to provide its Connected Health™ Remote Patient Monitoring Platform in the region.

This collaboration with primary care physicians will expand the availability of remote patient monitoring to seniors suffering from chronic illnesses such as heart failure, hypertension, COPD, and diabetes. The initial stage of the



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program will enroll up to 150 patients by prescribing Cloud DX Connected Health Kits, patient subscriptions, and extensive support services at 2 locations. The client clinic network expects the deployment to grow across additional locations in the future as patient outcomes improve.