CLOUD DX

Consolidated Financial Statements of Cloud DX Inc.

For the years ended December 31, 2023 and 2022

Independent Auditor's Report

To the Shareholders of Cloud DX Inc.:

Opinion

We have audited the consolidated financial statements of Cloud DX Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss and negative operating cash flow during the year ended December 31, 2023 and, as of that date, the Company had an accumulated deficit and negative working capital. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Convertible debt

Key Audit Matter Description

Throughout the year, the Company entered into multiple tranches of convertible debt. On issuance of the convertible debt, the Company separated the convertible debt into the liability and equity components and determined the fair value of the liability component. In addition, previously issued convertible debt tranches were amended during the year, which added to the complexity.

Audit Response

We considered this to be a key audit matter due to the materiality and complexity involved in performing procedures to test key assumptions in determining the fair value of the convertible debt and related instruments (market interest rates, conversion feature and warrants), which involved judgment from management. Please refer to Notes 4 and 14 in the consolidated financial statements for further details.

We responded to this matter by performing procedures in relation to convertible debt. Our audit work in relation to this included, but was not restricted to, the following:

- We assessed the accounting for the convertible debentures and component parts in accordance with International Financial Reporting Standards guidance;

- We selected a sample of all non-brokered issuances, agreed to the terms outlined in the subscription agreement, and tied back the deposits to the bank statement;

- With the assistance of internal valuations specialists, we evaluated the reasonability of the fair values calculated by management for the convertible debentures on the issuance date and as applicable on the modification or extinguishment date, based on available market data;

- With the assistance of internal assurance specialists, we evaluted the accounting treatment of amendment convertible debts. We assessed the treatment of modified and extinguished convertible debts issued in previous periods, and ensured entries posted by management in relation to amendments were appropriate.

- We assessed the appropriateness of the disclosures relating to the convertible debentures in the notes to the consolidated financial statements;

- We recalculated the convertible debentures schedules and compared them to management's support calculations; and

We traced the interest paid to the bank statement and tied back the interest and accretion expenses to the general ledger.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Giacomo Angelini.

MNP LLP

Waterloo, Ontario — Chartered Professional Accountants

April 30, 2024 — Licensed Public Accountants

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CLOUD DX

Consolidated Statements of Financial Position

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

	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	**$ 259,893**	$ 69,536
Restricted cash (Note 5)	**60,060**	60,060
Trade and other receivables (Note 6)	**313,029**	179,700
Inventories (Note 7)	**110,475**	185,135
Prepaid expenses and deposits	**64,137**	91,640
Contract assets	**27,877**	28,547
	835,471	614,618
Non-current assets		
Intangible assets (Note 8)	**334,380**	263,496
Property, plant and equipment (Note 9)	**56,259**	119,904
Right of use asset (Note 12)	**476,185**	899,141
Inventories (Note 7)	**339,223**	409,346
TOTAL ASSETS	**$ 2,041,518**	$ 2,306,505
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Trade and other payables	**$ 4,355,900**	$ 3,490,896
Deferred income (Note 19 and 21)	**249,507**	364,718
Current portion of lease liabilities (Note 12)	**258,938**	293,357
Advances from related parties (Note 17)	**330,925**	267,333
Loans from related parties (Note 17)	**23,321**	1,151,880
Current portion of loan payable (Note 16)	**384,359**	58,331
Current portion of convertible debt (Note 14)	**9,185,555**	2,050,909
	14,788,505	7,677,424
Non-current liabilities		
Lease liabilities (Note 12)	**280,462**	749,022
Loan payable (Note 16)	**246,495**	302,092
Convertible debt (Note 14)	**4,536,118**	5,224,674
TOTAL LIABILITIES	**19,851,580**	13,953,212
SHAREHOLDERS' DEFICIT		
Share capital (Note 10)	**33,036,261**	30,260,087
Contributed surplus (Note 17)	**177,265**	138,464
Deficit	**(60,520,690)**	(50,175,076)
Share-based payment reserve (Note 11)	**6,269,065**	6,049,565
Warrant reserve	**1,565,691**	1,530,146
Conversion feature on convertible debt (Note 14)	**1,643,855**	573,498
Accumulated other comprehensive loss	**18,491**	(23,391)
	(17,810,062)	(11,646,707)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	**$ 2,041,518**	$ 2,306,505

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

	2023	2022
Revenue (Note 19)		
Subscription revenue	**$ 866,491**	$ 512,654
Product sales	**702,929**	608,977
Professional services	**226,922**	42,272
Other	**15,543**	2,100
	1,811,885	1,166,003
Inventory impairment (Note 7)	**(111,973)**	(209,653)
Cost of inventories sold (Note 7)	**(417,232)**	(353,454)
Gross profit	**1,282,680**	602,896
Operating expenses:		
Advertising and promotion	**(252,734)**	(312,078)
Amortization & depreciation	**(477,961)**	(498,766)
Bad debt recovery/(expense)	**(12,723)**	1,492
Dues and memberships	**(464,719)**	(420,109)
Insurance	**(182,988)**	(173,578)
Office and data	**(634,698)**	(724,759)
Professional fees	**(1,413,096)**	(1,261,150)
Research	**(192,994)**	(397,928)
Salaries, wages and benefits	**(5,076,568)**	(6,285,118)
Share-based compensation (Note 11)	**(219,500)**	(66,429)
Travel	**(83,844)**	(96,630)
Other general and administrative	**(5,865)**	(86,896)
	(9,017,690)	(10,321,949)
Operating loss	**(7,735,010)**	(9,719,053)
Other (expenses)/ income:		
Foreign exchange loss	**(17,756)**	(11,373)
Interest expense	**(3,372,536)**	(1,599,620)
Government funding and grant income (Note 21)	**453,543**	493,962
Loss on extinguishment of loans from related parties (Note 17)	**(114,687)**	(36,036)
Gain on lease extinguishment (Note 12)	**97,980**	-
Transaction fees and listing expense	**(91,054)**	(18,794)
	(3,044,510)	(1,171,861)
Loss before income taxes	**(10,779,520)**	10,890,914)
Income taxes (Note 20)	**433,907**	273,889
Net Loss	**(10,345,613)**	(10,617,025)
Other comprehensive income (loss):		
Foreign exchange translation adjustment	**(41,882)**	8,077
Comprehensive Loss	**(10,303,731)**	(10,625,102)
Basic and diluted loss per share	**$ (0.11)**	$ (0.15)
Weighted average number of shares outstanding	**93,132,434**	72,094,396

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Deficit

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

	Number of shareholders' shares (Note 10)	Share capital (Note 10)	Share-based payment reserve (Note 11)	Warrants reserve (Note 10 and 14)	Conversion feature (Note 14)	Other Equity	Accumulated other comprehensive loss / (income)	Deficit	Total
January 1, 2022	**72,094,396**	**$ 30,433,684**	**$ 5,983,136**	**$ 1,349,790**	**$ 78,735**	**$ -**	**-$ 15,314**	**-$39,558,051**	**-$ 1,728,020**
Contributed surplus	-	-	-	-	-	138,464	-	-	138,464
Warrant issuance	-	-	-	301,046	-	-	-	-	301,046
Issuance cost	-	-	-	- 40,913	- 43,624	-	-	-	- 84,537
Share-based compensation	-	-	66,429	-	-	-	-	-	66,429
Recovery of deferred tax on issuance cost	-	- 173,597	-	- 79,777	- 194,112	-	-	-	- 447,486
Conversion feature of convertible debt	-	-	-	-	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**	**573,498**	**138,464**	**- 23,391**	**- 50,175,076**	**- 11,646,707**
Private placement	6,010,258	763,287	-	99,571	-	-	-	-	862,858
Contributed surplus	-	-	-	-	-	38,801	-	-	38,801
Conversion of debt	13,241,731	1,811,884	-	-	-	-	-	-	1,811,884
Shares for debt	340,335	35,000	-	-	-	-	-	-	35,000
Issuance cost	-	- 36,347	-	- 64,026	- 33,551	-	-	-	- 133,924
Share-based compensation	-	-	219,500	-	-	-	-	-	219,500
Warrant exercise	10,000	1,350	-	-	-	-	-	-	1,350
Asset purchase	1,435,714	201,000	-	-	-	-	-	-	201,000
Recovery of deferred tax on issuance cost	-	-	-	-	- 433,907	-	-	-	- 433,907
Conversion feature of convertible debt	-	-	-	-	1,537,815	-	-	-	1,537,815
Net loss and comprehensive loss for the year	-	-	-	-	-	-	41,882	- 10,345,613	- 10,303,731
December 31, 2023	**93,132,434**	**$ 33,036,261**	**$ 6,269,065**	**$ 1,565,691**	**$ 1,643,855**	**$ 177,265**	**$ 18,491**	**-$60,520,689**	**-$17,810,062**

See accompanying notes to consolidated financial statements.

CLOUD DX

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

	2023	2022
Cash flows used in operating activities		
Net loss	**$(10,345,613)**	$(10,617,025)
Adjustments to reconcile profit (loss)		
Depreciation of property, plant and equipment and right-of-use (Note 8, 9 & 12)	**326,362**	346,902
Amortization of intangible assets (Note 7)	**151,599**	151,864
Recovery of income tax (Note 20)	**(433,907)**	(273,889)
Write-off of inventory	**111,973**	209,653
Bad debt (income) expense	**12,723**	(1,492)
Consulting expense settled by issuance of shares, convertible debt or options	**-**	214,250
Interest expense on lease liabilities (Note 12)	**74,762**	89,843
Share-based compensation expense (Note 11)	**219,500**	66,429
Loss on extinguishment of related party loans (Note 17)	**-**	36,036
Loss on extinguishment of convertible debt (Note 14)	**114,687**	-
Fair value adjustment on interest-free loan from FedDev (Note 16)	**-**	(26,774)
Interest accretion on FedDev loan (Note 16)	**44,404**	38,973
Finance costs – net	**2,436,187**	1,042,294
Gain on extinguishment of lease	**(97,980)**	-
Changes in working capital (Note 15)	**829,303**	2,408,558
Amortization of issuance cost (Note 14)	**439,177**	194,088
Net foreign exchange gain	**34,935**	(34,802)
Net cash flows used in operating activities	**(6,081,888)**	(6,155,092)
Cash flows used in investing activities		
Leasehold improvements (Note 8)	**-**	(2,348)
Purchase of property, plant and equipment (Note 8)	**-**	(10,727)
Net cash flows used in investing activities	**-**	(13,075)
Cash flows used in financing activities		
Proceeds from issuance of convertible debt, net of issuance costs (Note 14)	**3,842,948**	4,180,603
Proceeds from issuance of units, net of issuance costs (Note 14)	**726,940**	-
Proceeds from advances from investors	**277,140**	-
Payment for lease obligation (Note 12)	**(313,990)**	(321,419)
Repayment of Related Party loans	**(218,371)**	-
Proceeds from related party loans (Note 17)	**2,030,000**	2,983,445
Issuance cost paid on convertible debt (Note 14)	**-**	(335,789)
Proceeds from exercise of warrants	**1,350**	-
Proceeds (payment) from FedDev Loan (Note 16)	**(58,331)**	50,000
Interest paid on convertible debt (Note 14)	**(13,810)**	(397,510)
Net cash flows used in financing activities	**6,273,876**	6,159,330
Effect of exchange rate changes on cash and cash equivalents		
Effect of exchange rate changes on cash and cash equivalents	**(1,631)**	(309)
Net cash used by other activities	**(1,631)**	(309)
Net increase (decrease) in cash and cash equivalents	**191,988**	(8,837)
Cash and cash equivalents at beginning of year	**129,596**	138,742
Cash and cash equivalents at end of year	**$ 319,953**	$ 129,596

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Note 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, 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.

Note 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 December 31, 2023, the Company had a deficit of $60,520,690 (2022 - $50,175,076). During the year ended December 31, 2023, the Company incurred a net loss of $10,345,613 (2022 – $10,617,025) and a negative operating cashflow of $6,136,201 (2022 – $6,155,092). As at December 31, 2023, the Company's current liabilities exceeded its current assets by $13,953,034 (2023 – $7,062,806).

To date the Company has funded operations through debt financings and private equity offerings. The Company has limited liquidity and is exploring alternatives to address the situation, including emergency fundings, restructuring of the Company's debts, or potential merger or business combination opportunities that would alleviate the concerns. There can be no assurances that any of the explored alternatives would be successful.

The future viability of the Company is dependent on:

(i) the ability to raise cash from financing activities to cover operating losses and liabilities as they become due;
(ii) the ability to renegotiate the terms of convertible debt to extend the maturity dates or convert the convertible debt into equity;
(iii) the ability to negotiate flexible payment terms with suppliers, tax authorities and other debtors; and
(iv) to cut costs to achieve the Company's plans.

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.

Statements of compliance

The consolidated financial statements of Cloud DX Inc. (the "Cloud DX" or 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 April 29, 2024.

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.

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.

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.

Revenue recognition

Under IFRS 15, revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. If the consideration promised in a contract includes a variable amount, for example, contingent fees or service level adjustments, the Company includes an estimate of the amount it expects to receive for the total transaction price if it is highly probable that a significant reversal of cumulative revenue recognized will not occur.

IFRS 15 establishes a single five step model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Under IFRS 15 the core principles of revenue recognition are to (1) identify the contract with the customer, (2) identify the performance obligation, (3) determine the transaction price, (4) allocate the transaction price and (5) recognize revenue when the entity satisfies the performance obligation. IFRS 15 requires the transaction price to be allocated to each separate performance obligation in proportion to the standalone selling price.The Company determines the amount of revenue to be recognized through application of the above five steps.

The Company generates revenue from three sources: (1) subscriptions; (2) hardware product sales; and (3) professional services. The Company entered into multiple element agreements that include the following performance obligations:

Subscriptions:

Subscriptions revenue is earned over time and is generated from customers accessing the cloud-based applications hosted by the Company. The Company's performance obligations for these services are satisfied over the term of the subscription. Deferred revenue is recorded where payments are received in advance of meeting the revenue recognition criteria and recorded in the period over which revenue is recognized.

Product sales:

Product revenue is earned at a point in time and consists of electronic equipment with which customers can use the Company's cloud-based applications. Sales-related warranties associated with these products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Company accounts for any warranties in accordance with IAS 37.

Revenue is recognised when control of the goods has transferred, being at the point the customer purchase orders are shipped to the customer's specified location. Payment of the transaction price is due immediately at the point the customer purchases the goods. A receivable is recognised by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Under the Company's standard contract terms, customers have a right of return within 30 to 60 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Company has a right to recover the product when customers exercise their right of return. Consequently, the Company recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent low level of returns in previous years.

Professional services:

Professional services revenue is generated from consulting and special research projects services rendered to various partners. Professional services revenues are recognized over time as labour hours are provided. The Company believes that this method faithfully depicts the transfer of the services and the satisfying of performance obligations.

Inventories

Inventories consist of both work in process and finished goods. Work in process inventories are stated at the lower of third-party costs and net realizable value of the component parts. Finished goods inventories are stated at the lower of cost and net realizable value. Cost is determined based on the specific cost of the inventories acquired. Net realizable value represents the estimated selling price for inventories less any costs necessary to make the sale.

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.

Foreign currency translation

In preparing the Company's financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

The assets and liabilities of the Company's foreign operation, Cloud DX, Inc., which has a USD functional currency consistent with the primary economic environment, is translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income (loss) and accumulated in Accumulated other comprehensive loss.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses, if any. The initial cost includes the purchase price and any expenditures directly attributable to ready the asset for use.

Gains and losses on the disposal of property and equipment represents the difference between the proceeds received, if any, on disposal of the asset and it's carrying amount. Any resulting gain or loss is recognized in the consolidated statements of loss and comprehensive loss.

Depreciation is charged using the following methods and rates:

Computer equipment	declining balance	55%
Furniture and fixtures	declining balance	20%
Computer software	declining balance	100%
Machinery and equipment	declining balance	30%
Leasehold improvements	declining balance	26%

Cash and cash equivalents

Cash includes cash on hand and short-term deposits which are highly liquid with original maturities of three months or less. The Company had $198,093 in cash and $nil cash equivalents at December 31, 2023 ($69,536 of cash in 2022).

Intangible assets

Intangible assets include acquired intellectual property and are stated at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are tested for impairment when there is any indication that the asset is impaired. The Company's intangible assets are amortized over their expected useful lives and charged to net loss in the consolidated statements of loss and comprehensive loss. The estimated useful life and amortization method are reviewed at least annually, with any change in estimated recognized prospectively.

Estimated useful life for Intellectual property intangible asset having finite life is 10 years.

Internally generated intangible assets are capitalized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset is expected to make it available for use or sale;
- The Company intends to complete and use or sell the intangible asset;
- The Company has the ability to use or sell the intangible asset;
- How the Company expects the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset exists; and
- The Company has the ability to reliably measure the expenditures attributable to its development.

The amount recognized as an internally generated intangible asset represents the sum of expenditures from the date when the intangible asset first meets the recognition criteria listed above to the date the asset is available for use.

When the asset is available for use, the cost model is applied which requires the asset to be carried at cost less accumulated amortization and accumulated impairment losses, if any. Research activities are expensed as incurred.

Impairment of non-financial assets

The carrying value of property and equipment and intangibles are reviewed at each reporting period to determine if indicators of impairment are present. If any such indicator exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, the recoverable amount is determined for an individual asset or assets are grouped together into a cash generating unit ("CGU"), which represents the smallest group of assets that generates independent cash inflows. If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recognized in the consolidated statements of loss and comprehensive loss as a reduction in the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairments of nonfinancial assets, excluding goodwill, recognized in a prior period are reassessed at the end of each reporting period to determine if indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the asset or CGU's carrying amount. The reversal of an impairment loss may not exceed the carrying amount, net of amortization, of the asset or CGU had no impairment loss been recognized.

Share-based compensation and other share-based payments

The Company has a share-based compensation plan, which is described in Note #. Equity instruments awarded to employees are measured and recognized based on the Black-Scholes option pricing model. The compensation cost is recognized over the vesting period based on the number of awards expected to vest. Awards for past service and awards that vest immediately are recognized as an expense in the period when granted.

When options are exercised, the amount initially recognized in the share based-payment reserve is reduced, with a corresponding increase in share capital. 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.

The Company studies the history of its underlying share price 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.

Financial instruments and risk management

The Company classifies and measures financial assets and liabilities based on their contractual cash flow characteristics. A financial asset is classified as amortized cost; fair value through other comprehensive income (''FVOCI''); or fair value through profit and loss (''FVTPL'').

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets and liabilities classified as measured at amortized cost are subsequently measured using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in the consolidated statements of loss and comprehensive loss.

Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if the Company transfers the control or substantially all the risks and rewards of ownership to another party. Any resulting gain or loss on derecognition is recorded in the consolidated statements of loss and comprehensive loss in the period that the asset is derecognized.

Financial assets and liabilities classified as measured at FVTPL are subsequently measured at fair value at each reporting date. Net gains and losses, including any interest or dividend income, are recorded in the consolidated statements of loss and comprehensive loss.

Financial assets whose objective is achieved by both collecting contractual cash flows and selling financial assets, are classified as measured at FVOCI. Financial assets measured at FVOCI are subsequently accounted for with any gains and losses recognized in other comprehensive income or loss and reclassified to profit and loss when the asset is derecognized.

Financial liabilities are classified and measured based on amortized cost; the Company does not have any financial instruments designated as FVOCI. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset within the scope of the standard are not separated, and the hybrid financial instrument is assessed for classification as a whole. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recorded in the consolidated statements of loss and comprehensive loss in the period that the liability is derecognized.

Below is the summary showing the measurement categories under IFRS 9:

Financial assets and liabilities	IFRS 9
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Advances from related parties	Amortized cost
Loans from related parties	Amortized cost
Loans payable	Amortized cost
Convertible debt host	Amortized cost

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are expensed to the consolidated statements of loss and comprehensive loss.

The cost of issuing debt is included as part of convertible debt and is accounted for at amortized cost using the effective interest method.

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, where the conversion feature is accounted for as equity, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion option. The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Transaction costs are allocated between the liability and equity components in proportion to their values. Where the conversion feature is accounted for as a liability at the date of issuance, the fair value of the conversion feature is measured initially at fair value and the residual is allocated to the debt host. Subsequently, the debt host is accounted for at amortized cost and the liability conversion feature is accounted for at FVTPL. Transaction costs are allocated between the debt host liability and derivative liability components in proportion to their values. Transaction costs allocated to the derivative liability are expensed immediately.

Certain of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

Level 1 - Defined as observable inputs such as quoted prices in active markets.

Level 2 - Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3 - Defined as inputs that are based on little or no observable market data, therefore requiring entities to develop their own assumptions.

The impairment of financial assets under IFRS 9 is based on an expected credit loss (“ECL”) model. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life.

The Company has applied the simplified approach under IFRS 9 and has elected to measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs applied at each reporting date. The Company adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experience to estimate lifetime ECL adjusted for estimated changes to credit risks and forecasts of future economic conditions and the results are discussed in Note 3.

Impairment losses are recorded in the consolidated statements of loss and comprehensive loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

When an impairment loss has decreased in a subsequent period, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed immediately in the consolidated statements of loss and comprehensive loss. The reversal of an impairment loss may not exceed the amortized cost had no impairment loss been recognized.

Government Assistance

Government grants are recognized when there is reasonable assurance that the Company has complied with the conditions of the grant. Such grants are accounted for as income on a systemic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case, the tax is also recognized in other comprehensive loss or directly in equity. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid, to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is determined on a non-discounted basis using the liability method using tax rates and laws that have been enacted or deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable the assets can be recovered. Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred income tax assets and liabilities, if any, are presented as non-current.

Leases

The Company leases various offices and storage space, where rental contracts are typically made for fixed periods of 2 to 5 years, but may have extension options, in which the extension and termination options held are exercisable only by the Company and not by the respective lessor. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Right-of-use assets arising from a lease are initially measured at fair value or, if lower, at the present value of the future minimum lease payments. The corresponding liabilities are included in the consolidated statements of financial position as a lease liability. The fixed lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Judgment is applied to determine whether the expected lease period would be the contract term or a longer period such as the estimated life of the relationship or taking into consideration the likelihood of exercising renewal options. In the case where the Company expects the renewal period to differ based on certain circumstances, the fair value of the lease liability will be recalculated, and any adjustment of the right-of-use asset will be recorded. Any gains and losses on the change in fair value of the liability or the disposition of the asset is recorded in the statement of loss and comprehensive loss.

Loss per share

Basic loss per share is calculated by dividing net loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted loss per share is calculated by adjusting the consolidated earnings or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share. For the years ended December 31, 2023 and 2022, the Company has incurred a net loss; therefore, the convertible debentures, warrants and share options are all anti-dilutive.

Note 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. Significant items subject to such estimates and assumptions include the following:

Revenue recognition

The allocation of the transaction price to various performance obligations within the Company's revenue contracts requires estimation and judgement. The Company estimates such amounts using standalone selling prices where available. Where standalone selling prices are not available, the Company utilizes third party selling prices or cost plus margin in allocating the transaction price to performance obligations in the contract.

Inventories

Estimation is required in determining the net realizable value of inventories. Such estimation includes selling price and related costs to sell. Also, estimation is required in determining quantities expected to be sold.

Identification of CGUs

The Company has allocated its tangible assets and intangible assets to the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets. The determination of CGUs requires judgment. The Company has determined that the intangible asset CGU is at the Company level as the intellectual property is leveraged in the Company’s products and

services in all geographic markets.

Impairment of long-lived assets

The carrying value of property and equipment and intangible assets is reviewed each reporting period to determine whether indicators of impairment exist. The recoverable amounts attributed to CGUs reflect the higher of fair value less costs to sell (FVLCS) or value in use. The Company’s determination of a CGU’s recoverable amount, which could include an estimate of FVLCS, uses market information to estimate the amount the Company could obtain from disposing of the asset in an arm’s length transaction, less the estimated cost of disposal.

The Company estimates value in use by discounted estimated future cash flows for the CGU or asset to its present value using a pre-tax discount rate reflecting a current market assessment of the time value of money and certain risks specific to the CGU or asset. Estimated cash flows are based on management’s assumptions and business plans which are supported by internal strategies, plans and external information. The estimate of the recoverable amount for an asset or CGU requires significant estimates such as future cash flows, growth rates, and terminal and discount rates.

Depreciation of property and equipment and intangible assets

Judgment is applied to determine an asset's useful life, and where applicable, estimated residual value, used in the computation of depreciation. Accordingly, an asset's actual useful life and estimated residual value may differ significantly from these estimates.

Fair value of derivative financial instruments and loans

The Company uses valuation techniques (e.g., Black Scholes model) to estimate the fair value of derivative financial instruments, which typically consist of warrants or a conversion feature to convert the instrument into common shares. Measurement inputs include expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, the risk-free interest rate (based on government bonds) and probabilities of certain events occurring as disclosed in Note 16. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of derivative liabilities. The fair value reported may not represent the transaction value if these instruments were exchanged at any point in time.

The Company must estimate market interest rates for related party loans, convertible debt (where the conversion option is fixed for fixed) and loans payable based on estimated market rates for similar transactions excluding such conversion features where applicable.

Share-based payments

The Company uses the Black-Scholes option pricing model to estimate the fair value of shared-based compensation which require the use of several input variables. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group),

weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of warrants and share based compensation. The fair value reported may not represent the transaction value if these warrants or options were exercised/exchanged at any point in time.

Leases

The Company uses judgment to determine whether the expected period would be the contract term or a longer period such as the estimated life of the relationship, where renewal periods would be considered. The Company also uses judgment in estimating the incremental borrowing rate based on borrowing rates of similar companies for similar instruments. Changes in these inputs can materially impact the estimated fair value of the lease liability on initial recording or amendment.

Deferred taxes

Estimates are required in determining the Company's income tax provision. Some estimates are based on interpretations of existing laws or regulations. Various internal and external factors may have favourable or unfavourable effects on the Company's future effective tax rate. These include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, results of tax audits by tax authorities, changes in estimates of prior years' items and expected earnings.

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Going concern

In light of the Company's liquidity issues, the Company was required to consider their ability to continue as a going concern which required the exercise of significant judgement. In making this assessment, the Company prepared a cash flow forecast and considered the liquidity requirements over the next 12 months. The forecast contains a number of significant assumptions as disclosed in Note 2 that are subject to material uncertainty. Despite this material uncertainty, the Company concludes that it is appropriate to continue to adopt the going concern basis of accounting as the Company is confident based on their previous fund raising history as well as additional planned measures that sufficient funds will be forthcoming and accordingly they have prepared the consolidated financial statements on a going concern basis.

Expected credit losses

Other areas where the Company employs judgment and estimates include the determination of expected credit loss as described in Note 6.

Note 5. Restricted cash

As at December 31, 2023, the Company had $60,060 ($60,060 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 2, 2024.

Note 6. Trade and other receivables

	2023	**2022**
Trade receivables	**$ 260,876**	$ 86,909
Harmonized Sales tax receivable	**59,839**	100,662
Less expected credit losses	**(7,686)**	(7,871)
Total	**$ 313,029**	$ 179,700

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Note 7. Inventory

	December 31, 2023	December 31, 2022
Finished goods	**$ 110,475**	$ 185,135
Goods in work in progress (long-term)	**339,223**	409,346
Total	**$ 449,698**	$ 594,481

Inventory related to sales recognized as cost of goods sold during year, December 31, 2023, amounted to $529,205 ($353,454 in 2022). As at December 31, 2023, the Company recognized an overall impairment of $111,973 ($209,653 in 2022) on the existing finished goods and work in progress inventory.

The bulk of this write down relates to ACERA40 tablets and JPDFR300 thermometers, stored at the Company's Kitchener head office, which have been impaired to their respective net realizable values.

	2023	2022
Finished goods	**$41,850**	-
Work in progress	**29,772**	209,653
Raw material	**40,351**	
Total impairment	**$111,973**	**$209,653**

The Company has classified inventory as long-term where the expected sale is beyond one year from December 31, 2023.

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Note 8. Intangible assets

Intangible assets include intellectual property acquired from a third party.

The movements of the Company's intangibles are summarized as follows:

Costs	**Intellectual Property**
Balance at December 31, 2021	**$ 1,479,880**
Foreign exchange difference	**101,086**
Balance at December 31, 2022	**1,580,966**
Additions	**235,620**
Foreign exchange difference	**(41,284)**
Balance at December 31, 2023	**1,775,302**
Accumulated amortization and impairment	
Balance at January 01, 2022	(1,085,244)
Amortization	**(151,864)**
Foreign exchange difference	**(80,363)**
Balance at December 31, 2022	**(1,317,471)**
Amortization	**(158,657)**
Foreign exchange difference	**35,206**
Balance at December 31, 2023	**(1,440,922)**
Carrying amounts	
Balance at December 31, 2022	**263,496**
Balance at December 31, 2023	**$ 334,380**

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Note 9. Property, plant and equipment

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

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

	Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Leasehold Improvements	Total
Cost						
January 01, 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	-	901	-	1,341
December 31, 2022	129,789	27,270	9,757	102,627	60,338	329,781
Foreign exchange	(90)	(70)	-	(328)	-	(488)
December 31, 2023	129,699	27,200	9,757	102,299	60,338	329,287
Accumulated depreciation						
January 01, 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	29,355	2,161	-	16,863	14,681	63,060
Foreign exchange	519	(428)	-	4	-	95
December 31, 2023	129,699	21,834	9,757	78,720	33,024	273,034
Carrying amounts						
Balance at December 31, 2022	29,966	7,169	-	40,774	41,995	119,904
Balance at December 31, 2023	$ -	$ 5,366	$ -	$ 23,579	$ 27,314	$ 56,259

	2023	2022
Property and equipment, net		
Canada	**$ 55,399**	$ 117,735
United States of America	**860**	2,169
Total property and equipment, net	**$ 56,259**	$ 119,904

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Note 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
Warrant exercise	10,000		1,350
Asset purchase	1,435,714		201,000
Private placement (net of issuance cost)	6,010,258		726,940
Conversion of debt	13,241,731		1,811,884
Shares for debt service	340,335		35,000
Balance at December 31, 2023	**93,132,434**		**33,036,261**

The Company issued the following new share capital during the fiscal year 2023:

a. On March 15, 2023, the Company issued 18,585,145 Units at a price of $0.14 per Unit for aggregate gross proceeds of $2,601,921 in additional share capital from the first tranche of the private placement.

b. On June 20, 2023, the Company issued 1,802,856 additional Units in the second tranche at a price of $0.14 per Unit for aggregate gross proceeds of $252,400. As part of the issuance costs for the first tranche, the Company issued 259,621 broker warrants valued at $11,604 and paid $36,347 of finders' fee.

   Each Unit under (a) and (b) above is comprised of one common share in the capital of the Company and one warrant. Each warrant entitles its holder to purchase one additional share at a price of $0.21 per share for a period of three years following the issuance of the warrant. The Company allocated $72,114 of the transaction price to warrants issued on June 20, 2023.

c. The Company issued 340,335 shares for debt service related to an employee who took part of their salary in the form of shares during the 2023 year.

d. Included in "Conversion of debt" line are 299,702 shares issued by the Company in 2023 for debt.

The share capital as at December 31, 2023 included cash proceeds of $695,437, conversion of related party loans of $1,811,884 ($nil in 2022 – see Note 17), employee shares for debt of $35,000 and acquisition of intangible asset of $201,000 (see Note 7).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Note 11. Share-based payments

Incentive Share Option Plan

On January 1, 2015, the directors of the Company authorized the establishment of the "Incentive Share Option Plan" with the objective of attracting, retaining and motivating key employees, officers and directors in long-term success of the Company.

Non-qualified Share Option Plan

On January 1, 2015, the directors of the Company authorized the establishment of the "Non-qualified Share Option Plan". Non-Qualified Share Options are granted to external consultants (whether individuals or entities) as part of the consideration for services rendered.

The following is a summary of share options for the years ended December 31, 2023 and 2022.

	2023			**2022**		
		Average exercise price per share option	**Number of options**		**Average exercise price per share option**	**Number of options**
As at January 1	**$**	**0.58**	**3,006,969**	$	0.64	4,413,953
Granted during the year	**$**	**0.10**	**3,550,000**	$	0.35	565,363
Forfeited during the year	**$**	**0.48**	**(504,987)**	$	0.64	(1,972,347)
As at December 31	**$**	**0.32**	**6,051,982**	$	0.58	3,006,969
Vested and exercisable at December 31	**$**	**0.34**	**5,234,186**	$	0.61	2,713,938

CLOUD DX

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Note 11. Share-based payments

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 December 31, 2023	December 31, 2022

Grant Date	Expiry Date	Exercise price	# of Share options December 31, 2023	December 31, 2022
Apr 2021	Apr 2026	$0.48-$0.65	2,098,594	2,528,581
Feb 2022	Feb 2027	$0.35	403,388	478,388
Dec 2023	Dec 2028	$0.10	3,550,000	-
Total			**6,051,982**	**3,006,969**

Weighted average remaining contractual life of options outstanding at end of period (in years)	3.93 years	3.84 years

Inputs for measurement of grant date fair values

The grant date fair value of share options was estimated using the Black-Scholes option pricing model and the assumptions at grant dates were as follows:

	2023	2022
Risk-free interest rate	**3.18%**	1.80%
Expected Volatility	**111%**	100%
Expected Dividends	**$nil**	$nil
Exercise Price	**$0.10**	$0.35
Expected Life	**5 years**	5 years
Share price, per option	**$0.09**	$0.36

During the year ended December 31, 2023, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of $219,500 (2022 - $66,429).

Note 12. 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.

The short-term lease expense for the 2023 financial year was $156,926.

Long-Term Leases

On September 1, 2020, the Company signed a long-term lease for its office space in Kitchener, Ontario for a term of 5 years and monthly lease payment of $16,188 increasing up to $17,219 over lease term.

On July 15, 2021, the Company signed a long-term lease for its office space in Brooklyn, New York for a term of 5 years and monthly lease payment of $12,044 (US$9,500) increasing up to $15,297 (US$11,294) over lease term. However on May 16, 2023, the lease was amended and the Company moved to an adjacent office space in the same building in Brooklyn that resulted in cost savings. The Company's monthly lease payment fell to $7,936 (US$6,000), increasing to $8,174 (US$6,180) on June 1, 2024, and rising to $8,419 ($US$6,365) from June 1, 2025, through to the duration of the lease on July 31, 2026.

As a result of the early termination of the original lease and negotiation of the new lease, the Company deemed to have extinguished the original lease. Therefore, the Company derecognized the original right-of-use asset and liability and booked the gain on the extinguishment of the lease to the income statement as other income. The gain on this lease extinguishment in the income statement was $98,042. The Company then recognised the new lease as a new right-of-use asset and liability on the Consolidated Statements of Financial Position.

All the long-term leases were recorded as right-of-use assets for $476,185 (2022 - $899,141) and a corresponding lease liability of $476,185 (2022 - $899,141) was recorded.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Note 12. Leases

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

	December 31, 2023	December 31, 2022
Right of use assets		
Opening right of-use asset	**$ 1,456,802**	$ 1,415,798
New leases	**242,355**	-
Termination of lease	**(639,065)**	-
Foreign exchange	**(2,225)**	41,004
Closing right of use asset	**1,057,867**	1,456,802
Accumulated depreciation		
Opening accumulated depreciation	**(557,661)**	(266,423)
Depreciation for the period	**(262,742)**	(282,569)
Termination of lease	**235,545**	-
Foreign exchange	**3,177**	(8,670)

	December 31, 2023	December 31, 2022
Closing accumulated depreciation	**(581,681)**	(557,662)
Right of use assets, net	**476,185**	899,140
Lease liabilities		
Opening Lease Liability	**1,042,379**	1,236,773
Accretion/payment during the year	**74,762**	89,840
Principal payments	**(313,990)**	(318,258)
New leases	**242,355**	-
Termination of lease	**(501,500)**	-
Foreign exchange	**(4,606)**	34,024
Total	**$ 539,400**	$ 1,042,379

Below is a summary of the maturity of the lease liabilities:

		2023
Contractual payments	$	**606,795**
Less: Amount attributable to interest	$	**(67,395)**
Liability at the end of year		**539,400**

		2023
Current Liability	$	**258,938**
Non-current Liability		**280,462**
Total	$	**539,400**

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 19% (8% in 2022).

Right-of-use assets are amortized over the expected average lease term of 3-5 years (2022 – 5 years).

Note 13. 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 December 31, 2022.

As at December 31, 2023 and 2022, a 5% increase/decrease in the currency rate would increase/decrease the net loss by less than $9,000.

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 table outlines 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:

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

	2023			
			Payments due	
	Total	less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	$ 4,355,900	$ 4,355,900	$ -	$ -
Lease liabilities	539,400	258,938	280,462	-
Advances from related parties	330,925	330,925	-	-
Loans from related parties	23,321	23,321	-	-
Loan payable	630,854	384,359	246,495	-
Convertible debt principal	14,227,531	6,564,800	7,662,731	-
Convertible debt interest payments	1,344,386*	1,344,386	-	-
Total	**$ 21,452,317**	**$ 13,262,629**	**$ 8,189,688**	**$ -**

** The Company expects to exercise its option pay interest on maturity through issuance of its shares for specific convertible notes issued as disclosed in note 14, except for $1,334,386 interest included in the table above, which will be paid in cash.*

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 December 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 5.

Interest rate risk

The Company's related party notes have fixed interest rates ranging from 5% to 18% per annum. As a result, the Company is exposed to interest rate risk due to fluctuations in the prime rate.

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

Note 14. 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 01, 2022	$ 1,525,963	$ 154,472	$ 78,735	$ 1,759,170
Convertible debt issued (net of issuance cost) (i) (ii)	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)
Amortisation of issuance cost	194,089	-	-	194,089
Recovery of tax on issuance cost (Note 22)	-	(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)	8,115,265	-	1,504,264	9,619,529
Convertible debt extinguished (net of issuance cost)	(3,838,550)	-	-	(3,838,550)
Convertible debt modified (net of issuance cost)	(190,690)	-	-	(190,690)
Issuance of broker warrants	-	16,078	-	16,078
Recovery of tax on issuance cost			(433,907)	(433,907)
Interest and accretion expense	1,920,889	-	-	1,920,889
Amortization of issuance cost	439,177	-	-	439,177
Balance at December 31, 2023	**13,721,674**	**350,907**	**1,643,855**	**15,716,435**
Current	9,185,555	-	-	9,185,555
Non-current	4,536,118	350,907	1,643,855	6,530,880
Total	**$ 13,721,673**	**$ 350,907**	**$ 1,643,855**	**$ 15,716,535**

i. The Company issued the following convertible debentures during the fiscal years 2023:

a. On December 28, 2023, the Company issued 2,052 $1,000 convertible debentures for total gross proceeds of $2,052,000. Convertible debentures are accrued at interest rate of 18% payable at the earlier of maturity or conversion date, in the form of (i) common shares of the Company at their market price one day prior to maturity or conversion date, or (ii) cash, at the sole discretion of the Company. The debentures are convertible into units at a price of $0.10 per unit at the discretion of the holder at any time before maturity date of December 28, 2026. Fair value of the host debt was calculated using market interest rate of 28.5% and the remaining transaction price was allocated to conversion feature classified as equity.

b. On September 8, 2023, the Company issued 3,546 $1,000 convertible debentures for total gross proceeds of $3,546,000. Convertible debentures are accrued at interest rate of 18% payable at the earlier of maturity or conversion date, in the form of (i) common shares of the Company at their market price one day prior to maturity or conversion date, or (ii) cash, at the sole discretion of the Company. The debentures are convertible into units at a price of $0.10 per unit at the discretion of the holder at any time before maturity date of September 8, 2026. As part of commission for financing convertible debentures, the Company issued 169,600 broker warrants having an exercise price of $0.10 per share and a term of 3 years. Fair value of the host debt was calculated using market interest rate of 28.5% and the remaining transaction price was allocated to conversion feature classified as equity.

During the year ended December 31, 2023, the related party loans with the carrying value of $3,155,045 ($1,957,000 in 2022 were converted to convertible debentures. Refer to Note 19 for details.

ii. The Company amended the terms of the following convertible debentures during the fiscal year 2023:

a. On July 6, 2023, the Company extended the maturity date of 1,990 units of $1,000 convertible debentures issued on July 6, 2022, by twelve months to July 6, 2024. The Company has determined that the extension of the term is not a substantial modification of the original agreement, and therefore, the carrying amount of the original debt has been adjusted by the net present value of changes to the future contractual cash flows of $190,690, which has been recorded as an expense within the line item – "Loss on extinguishment of debt" in the Consolidated Statements of Loss and Comprehensive Loss.

b. On September 8, 2023, the Company amended the terms of 4,207 units of $1,000 convertible debentures issued on October 1, 2021 (2,192 units), January 27, 2022 (1,575 units), March 18, 2022 (260 units) and April 14, 2022 (180 units), as follows:

- The interest rate was increased from 10% to 18% starting April 1, 2023;
- The interest shall be payable on the earlier of the conversion date and the maturity, in the form of (i) common shares of the Company at their market price one day prior to maturity or conversion date, or (ii) cash, at the sole discretion of the Company.;
- The conversion price was reduced from $0.35 per share to $0.15 per share;
- Accrued and unpaid interest from January 1, 2023 to March 31, 2023 owed pursuant to the original debenture agreements has been settled through the issuance of additional convertible debentures; and
- The exercise price of the warrants attached to the debentures was reduced from $0.50 per share to $0.19 per share.

The Company has determined that the above amendments were so fundamental that immediate derecognition of the original debentures was required. As such, the carrying amounts of the original debentures, net of issuance costs, were extinguished and new debentures were recognized at their fair values using market interest rate of 28% (consideration paid). The difference of $305,378 between the carrying amounts of the debentures extinguished and the consideration paid, which has been recorded as an expense within the line item – “Loss on extinguishment of debt” in the Consolidated Statements of Loss and Comprehensive Loss.

In the absence of clear IFRS guidance on the accounting treatment of the equity conversion feature and the warrants attached to the original convertible debentures extinguished, the Company adopted the accounting policy to not adjust the carrying amounts these attached equity instruments consistent with industry guidance.

iii. The Company entered into the following transactions during the fiscal year December 31, 2023:

The Company entered into a debt settlement agreement dated December 7, 2023 (the "Debt Settlement Agreement") with an employee of the Company, pursuant to which the Company agreed to settle $35,000 of debt through the issuance of 340,335 Common Shares at a deemed price of $0.1028 per Common Share. The Debt Settlement Agreement and the issuance of the Common Shares thereunder are subject to the approval of the TSXV.

iv. The Company issued the following financial instruments during the fiscal year 2022:

a. 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 an 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 any time 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.

b. 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 an 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.

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c. 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 at an 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 any time 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.

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.

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 for warrants issued in the prior years below:

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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Note 15. Supplementary cash flow information

Change in working capital

	2023	2022
Trades and other receivables	**$ (146,062)**	$ 226,258
Prepaid expenses	**35,087**	14,071
Inventory	**26,472**	(144,124)
Contract Assets	**670**	(29,670)
Related party payables	**60,005**	229,349
Deferred income	**(115,211)**	129,013
Trade and other payable	**968,342**	1,983,661
Total change in working capital	**$ 829,303**	$ 2,408,558

Note 16 Loan Payable

During the year 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 ("FedDev") 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 December 31, 2023 is $346,495 ($360,423 in 2022) after assuming an discount rate of 20.00% (20.00% in 2022) to calculate the portion attributable to government funding, and accounting for the fair value interest ($26,774) inherent in the FedDev loan tranche of $50,000 received in August 2022 that was offset against the outstanding FedDev principal balance.

The current portion of loan payable also includes a demand loan from a third-party in the amount of $284,359 including principal and interest thereon.

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Note 17 Related party transactions

During the year ended December 31, 2023, the Company has recorded an expense associated with consulting fees and wages to directors and officers and their wholly owned companies of $102,000 (2022 - $155,667). During the year ended December 31, 2023, the Company incurred director fee expenses of $36,000 (2022 - $2,000).

The advances to/from related parties of $330,925 (2022 - $267,333), 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 loans were made to the Company in 2023 for $2,029,985 (2022 - $3,145,612). The loans accrue at 10% to 18% per annum interest plus financing fees and are payable on demand or at maturity. The related party loans accrued a total interest and financing fees of $459,226 during 2023 (2022 - $226,057).

During the year ended December 31, 2023, the loans having a carrying value of $1,639,000 ($1,957,000 in 2022) were converted to Secured Convertible Debentures, and $1,797,884 ($nil in 2022) were converted to Units, with a balance of related party loans of $23,321 outstanding as at December 31, 2023 (Refer to Notes 9 and 14 for details on conversions). During the year ended December 31, 2023, a total of $218,371 (2022 – $nil) of related party loans were repaid.

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:

	2023	2022
Contractor expense for services	**$ 102,000**	$ 155,667
Wages	**666,208**	496,769
Share-based payments expense	**-**	10,870
Directors' fees	**36,000**	2,000
Total key management compensation	**$ 804,208**	$ 693,306

Notes to the Consolidated Financial Statements

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Note 18. Management of capital

The Company's capital management objectives are to maintain its ability to continue as a going concern and to preserve its capital through focusing on the expansion of its sales efforts, particularly in the United States. The Company will also continue to raise additional funds through the issuance of debt or equity.

In the management of capital, the Company's definition of capital includes shareholders' deficit which, as at December 31, 2023, totalled $17,810,062 (2022 - $11,646,707).

Note 19 Revenue from contracts with customers

Disaggregation of Revenues:

	2023	2022
Subscriptions	**$ 866,491**	$ 512,654
Hardware Product Sales	**702,929**	608,977
Professional Services	**226,922**	42,272
Other	**15,543**	2,100
Total revenue	**$ 1,811,885**	$ 1,166,003

The Company earns revenue from the following geographical areas:

	2023	2022
Canada	**$ 1,675,349**	$ 987,121
United States	**136,536**	178,882
Total revenue	**$ 1,811,885**	$ 1,166,003

Contract Balances

The following table provides information about receivables, unbilled revenue and deferred revenue (contract liabilities) from contract with customers:

	2023	2022
Accounts receivable	**$ 260,876**	$ 86,909
Deferred Income from contracts with customers	**(139,395)**	(161,989)
Contract asset	**27,877**	28,547
Net contract balances	**$ 121,481**	$ (46,533)

In addition to deferred income from contracts with customers, deferred income from government grants at December 31, 2023 was $110,112 (2022 - $202,729). All deferred revenue from customers at December 31, 2022 has been recorded as revenue in 2023, except $48,164 from one customer that was still deferred at

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

December 31, 2023 due to a prepayment of subscription fees income from a customer, which will be used by that customer in 2024.

Note 20 Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (55.4% – 26.5%) to the effective tax rate is as follows:

	2023	**2022**
Net loss before recovery of income taxes	**(10,779,520)**	(10,890,914)
Expected income tax recovery	**(2,856,573)**	(2,886,092)
Permanent differences	**246,710**	55,936
Impact of change in rates	**408,112**	-
Other	**(74,370)**	
Change in unrecognized temporary differences and losses	**1,842,213**	2,556,267
Income tax recovery	**(433,908)**	(273,889)

Deferred income taxes reflect the impact of loss carry forwards and temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax

laws. The following deferred tax assets and liabilities have been recognized:

	2023	**2022**
Deferred tax asset	**$ 218,380**	**$443,832**
Deferred tax liability	**(218,380)**	**(443,832)**
Net deferred tax asset	**$ -**	**$ -**

For the years ended December 31, 2023 and 2022 (stated in CAD dollars, unless otherwise stated)

The effect of temporary differences and tax loss carry forwards during the years are as follows:

	2023	2022
Deferred Tax Assets		
Non-capital losses carried forward	$117,190	$238,186
Lease liabilities	101,189	205,646
	218,379	443,832
Deferred Tax Liabilities		
Right of use assets	-101,189	-191,067
Unrealized gain or loss	-10,839	-14,579
Convertible Debentures	-106,352	-239,186
	-218,380	-444,832
Net deferred tax asset	$ -	$ -

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2023	2022
Non-capital loss carry-forwards	$47,797,665	$39,921,696
Intangibles	590,979	560,390
Share Issuance Costs	1,067,586	1,115,750
Accrued Liabilities	1,224,229	1,111,401
Right of Use Assets and Liabilities	63,215	75,480
R&D	462,884	
Other	63,819	380,181
	$51,270,377	$43,164,898

The non-capital losses that are available to reduce future years' income do not expire.

Notes to the Consolidated Financial Statements

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Note 20. Income taxes

As Cloud Diagnostics Canada is a ULC, it is treated as a disregarded for US tax purposes. As such, the US tax return is prepared on a consolidated basis, including the income or loss of the Canadian entity. However, the ULC is also treated as a Canadian corporation for Canadian tax purposes. Therefore, the Company has the following unrecognized temporary differences and loss carry-forwards that give rise to significant portions of the deferred tax asset which has not been recognized, with respect to Canada:

	2023	2022
Fixed Assets	**$249,723**	**$167,835**
SRED Pool Carry forward	**679,257**	**679,257**
SRED Credits	**169,607**	**156,838**
Reserves		**109,653**
Non-Capital Losses	**34,839,882**	**29,217,856**
Lease liability	**51,774**	**47,335**
Other	**13,595**	**-181,048**
Total	**$36,003,838**	**$30,197,726**

The Canadian non-capital loss carry-forwards expire as noted in the table below. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

	2023
2034	$ 469,604
2035	2,262,149
2036	1,761,196
2037	2,080,064
2038	3,565,679
2039	2,817,192
2040	2,824,514
2041	6,029,536
2042	7,509,121
2043	5,616,000
Total	**$ 34,935,055**

The SRED expenditures of $679,257 are available to reduce taxable income in Canada, without expiry. The SRED credits of $169,607 are available to offset future Canadian federal tax obligations and commence to expire in 2025.

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Note 21. Government assistance and grants

During the year-ended December 31, 2023, the Company received various grants totaling $453,543 (December 31, 2022 – $548,578).

In December 31, 2023, the total of grants received and deferred grant income from prior year recognized as income was $57,620 (2022 - $493,962). As at December 31, 2023, $110,112 (2022 - $202,729) has been deferred for recognition in the future on a consistent basis with recording the related expense.

Note 22. Subsequent events

On March 19, 2024, the Company announced certain convertible debenture holders have agreed to convert an aggregate principal amount of $3,187,000, prior to the applicable maturity date, into common shares of the Company (the "Common Shares"). As consideration for such early conversion of the convertible debentures, the Company has agreed to accelerate an aggregate of $180,585 of interest from the applicable maturity date to the date on which the convertible debentures are converted.

In conjunction with the above conversion of convertible debentures into common shares. the Company has entered into pooling agreements under which certain shareholders have agreed to subject an aggregate of 26,411,896 common shares issued to them in connection with the conversion of the convertible debentures and pursuant to the debt settlement agreements to voluntary pooling until the date that is the earlier of (i) twenty four (24) months from entering into the agreements and (ii) the first business day following the date on which the closing price for the common shares on the TSX Venture Exchange (the "TSXV") (or such other recognized stock exchange in Canada on which the common shares are then listed) is equal to or greater than $0.50 for a period of 10 consecutive trading days.

On April 8, 2024, the Company announced a non-brokered private placement (the "Private Placement") for gross proceeds of up to $2,800,000 through the issuance of up to 23,333,334 units (each, a "Unit") of the Company at a price of $0.12 per Unit. The Company reserves the right to oversubscribe the Private Placement by up to $500,000, pursuant to which the Company may sell an additional 4,166,667 Units, should there be significant additional demand. Each Unit shall consist of one common share in the capital of the Company and one transferable share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share at a price of $0.18 per share until 36 months following closing.