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

Consolidated Financial Statements of
Cloud DX, Inc.

For the years ended December 31, 2021 and 2020

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, 2021, December 31, 2020, January 1, 2020, 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 a summary of significant accounting policies.

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, 2021, December 31, 2020, January 1, 2020, 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, 2021 and, as of that date, the Company had an accumulated deficit. 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 23 of the consolidated financial statements, which explains that certain comparative information presented:

- For the year ended December 31, 2020 has been restated
- As at January 1, 2020 has been derived from the consolidated statement of financial position as at December 31, 2019 (not presented herein)

Our opinion is not modified in respect of this matter.

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.

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

MNP LLP

Waterloo, Ontario — Chartered Professional Accountants

May 2, 2022 — Licensed Public Accountants

Cloud DX, Inc.

Consolidated Statements of Financial Position

As at December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

	December 31, 2021	December 31, 2020 (Note 25)	December 31, 2019 (Note 25)
Assets			
Current Assets:			
Cash and cash equivalents	$ **78,742**	$ 637,560	$ 32,657
Restricted cash (Note 6)	**60,000**	-	-
Trade and other receivables (Note 7)	**403,922**	418,954	362,859
Marketable securities (Note 9)	**-**	433,251	253,188
Inventories (Note 8)	**684,948**	560,098	341,421
Prepaid expenses and deposits	**106,155**	309,615	102,595
Contract assets	**-**	-	11,735
	1,333,767	2,359,478	1,104,455
Non-Current Assets:			
Intangible assets (Note 10)	**394,636**	544,950	707,582
Property, plant and equipment and Asset in progress (Note 11)	**171,019**	162,593	23,666
Right of use asset (Note 15)	**1,149,375**	755,477	93,998
Deferred tax asset (Note 23)	**173,597**	-	-
Total Assets	**3,222,394**	3,822,498	1,929,701
Liabilities and Shareholders' Deficit			
Current Liabilities:			
Trade and other payables	**1,544,491**	1,569,730	1,008,300
Deferred income (Note 22 and 24)	**234,581**	937,585	18,948
Current portion of lease liabilities (Note 15)	**233,416**	138,403	46,139
Advances from related parties (Note 20)	**110,385**	256,403	328,806
Current portion of conversion feature on convertible debt (Note 17)	**-**	639,994	-
Current portion of convertible debt (Note 17)	**189,259**	1,888,857	-
Current portion of notes payable	**-**	-	615,294
	2,312,132	5,430,972	2,017,487
Non-Current Liabilities:			
Lease liabilities (Note 15)	**1,003,356**	638,464	-
Loan payable (Note 19)	**298,223**	-	-
Conversion feature on convertible debt (Note 17)	**-**	542,423	870,564
Convertible debt (Note 17)	**1,336,703**	1,504,043	865,414
Total liabilities	**4,950,414**	8,112,902	3,753,465
Shareholders' Deficit:			
Share capital (Note 12)	**30,433,684**	19,082,662	16,343,731
Deficit	**(39,558,051)**	(28,301,185)	(22,488,923)
Share-based payment reserve (Note 13)	**5,983,136**	4,913,049	4,577,848
Warrant reserve	**1,349,790**	9,512	-
Accumulated other comprehensive loss	**(15,314)**	5,558	(256,420)
Conversion feature on convertible debt (Note 17)	**78,735**	-	-
	(1,728,020)	(4,290,404)	(1,823,764)
Total Liabilities and Shareholders' Deficit	**3,222,394**	3,822,498	1,929,701

Going concern (Note 2)
Subsequent events (Note 26)
See accompanying notes to consolidated financial statements

On behalf of the Board: /s/ Constantine Zachos (Director) and /s/ Michele Middlemore (Director)

Cloud DX, Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

		2021	2020 (Note 25)
Revenue (Note 22):			
Subscription revenue	$	**369,863**	301,213
Product sales		**292,344**	709,907
Professional services		**115,090**	137,675
Other		**5,000**	15,000
		782,297	1,163,795
Cost of inventories sold (Note 8)		**(491,288)**	(732,595)
Gross profit		**291,009**	431,200
Operating expenses:			
Advertising and promotion		**(468,627)**	(116,354)
Amortization & depreciation		**(407,954)**	(340,143)
Bad debt expense		**(25,107)**	(8,595)
Dues and memberships		**(238,280)**	(292,843)
Insurance		**(145,567)**	(32,284)
Office and data		**(700,617)**	(581,822)
Professional fees		**(1,328,700)**	(1,016,142)
Research		**(473,881)**	(550,524)
Salaries, wages and benefits		**(5,737,410)**	(3,572,122)
Share-based compensation (Note 13)		**(1,018,058)**	(335,201)
Travel		**(42,875)**	(24,003)
Other general and administrative		**(124,442)**	(111,161)
		(10,711,518)	(6,981,194)
Operating loss		**(10,420,509)**	(6,549,994)
Other (expenses)/ income:			
Foreign exchange gain		**73,315**	40,003
Interest expense		**(709,397)**	(732,228)
Fair value loss (Note 17)		**(77,463)**	(95,017)
Government funding and grant income (Note 24)		**1,205,085**	1,395,016
Gain on marketable securities (Note 9)		**208,203**	129,958
Listing Expense (Note 5)		**(1,634,321)**	-
		(934,578)	737,732
Loss before income taxes		**(11,355,087)**	(5,812,262)
Income taxes (Note 23)		**98,221**	-
Net loss		**(11,256,866)**	(5,812,262)
Other comprehensive loss:			
Other comprehensive income/(loss)		**(20,872)**	261,978
Comprehensive loss		**(11,277,738)**	(5,550,284)
Basic and diluted loss per share		**(0.18)**	(0.14)
Weighted average number of shares outstanding		**64,276,113**	42,019,779

See accompanying notes to consolidated financial statements.

Cloud DX, Inc.

Consolidated Statements of Changes in Shareholders' Deficit

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

	Number of shareholders' shares	Share capital (Note 12)	Share-based payment reserve	Warrants reserve	Other Equity	Accumulated other comprehensive (loss) / income	Deficit	Total (Note 25)
January 1, 2020	**36,278,133**	**16,343,731**	**4,577,848**	**-**	**-**	**(256,420)**	**(22,488,923)**	**(1,823,764)**
Issue of capital (Note 12)	5,285,710	1,618,309	-	-	-	-	-	1,618,309
Conversion of debt (Note 17)	2,264,251	1,128,411	-	-	-	-	-	1,128,411
Share-based compensation (Note 13)	89,513	11,030	335,201	-	-	-	-	346,231
Issuance cost	-	(18,819)	-	9,512	-	-	-	(9,307)
Net loss and comprehensive loss for the year	-	-	-		-	261,978	(5,812,262)	(5,550,284)
December 31, 2020	**43,917,607**	**19,082,662**	**4,913,049**	**9,512**	**-**	**5,558**	**(28,301,185)**	**(4,290,404)**
Reverse takeover transaction (Note 5)	3,740,415	1,557,823	52,029	19,426	-	-	-	1,629,278
Private placement (Note 12)	12,190,000	4,928,620	-	1,166,380	-	-	-	6,095,000
Warrant Issuance (Note 17)			-	154,472	-	-	-	154,472
Conversion of debt (Note 12)	11,826,254	5,467,014	-	-	-	-	-	5,467,014
Dissenting shareholder cancellation	(674,370)	(283,235)	-	-	-	-	-	172,865
Compensation shares and issuance costs	1,094,490	(492,797)	-	-	-	-	-	(948,897)
Deferred tax on issuance cost (Note 23)	-	173,597	-	-	(98,221)	-	-	75,376
Share-based compensation (Note 13)	-	-	1,018,058	-		-	-	1,018,058
Conversion feature of convertible debt (Note 17)	-	-	-	-	176,956	-	-	176,956
Net loss and comprehensive loss for the year	-	-	-	-		(20,872)	(11,256,866)	(11,277,738)
December 31, 2021	**72,094,396**	**30,433,684**	**5,983,136**	**1,349,790**	**78,735**	(15,314)	**(39,558,051)**	**(1,728,020)**

See accompanying notes to consolidated financial statements.

Cloud DX, Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

		2021	2020 (Note 25)
Cash flows used in operating activities:			
Net loss before tax	$	**(11,256,866)**	(5,812,262)
Items not affecting cash:			
Depreciation of property, plant and equipment		**261,636**	183,608
Amortization of intangible assets		**146,318**	156,451
Recovery of income tax (Note 23)		**(98,221)**	-
Non-cash write-offs (Note 8)		**289,160**	64,623
Broker warrants issued for financing convertible debt (Note 17)		**29,688**	-
Realized gain from disposal of marketable securities (Note 9)		**(208,203)**	(38,149)
Unrealized gain on revaluation of marketable securities		**-**	(91,809)
Bad debt expense		**25,107**	8,596
Consulting expense settled by issuance of shares, convertible debt or options		**455,838**	205,845
Fair value loss (Note 17)		**77,463**	95,017
Interest expense on lease liabilities (Note 15)		**77,636**	21,495
Share-based compensation expense		**1,018,058**	345,936
Non-cash increase in marketable securities		**-**	(69,134)
Fair value adjustment on interest-free loan from FedDev (Note 19)		**(178,650)**	-
Interest accretion on FedDev loan (Note 19)		**26,874**	-
Finance costs – net		**559,582**	622,277
Non-cash listing expenses (Note 5)		**723,106**	-
Changes in working capital (Note 18)		**(1,078,701)**	640,698
Amortisation of issuance cost (Note 17)		**26,074**	-
Net foreign exchange loss		**(76,837)**	138,544
Cash used in operating activities		**(9,180,938)**	**(3,528,264)**
Cash flows generated from (used in) investing activities:			
Proceeds from disposal of marketable securities (Note 9)		**634,740**	258,691
Cash from lease improvement allowance (Note 11)		**172,504**	-
Leasehold improvements (Note 11)		**(134,542)**	-
Purchase of property, plant and equipment (Note 11)		**(95,251)**	(109,777)
Cash generated from investing activities		**577,451**	**148,914**
Cash flows generated from financing activities:			
Cash from recapitalization inclusive of Roosevelt loan (Note 5)		**646,329**	
Proceeds from the issuance of common shares (Note 12)		**5,276,327**	890,631
Proceeds from issuance of convertible debt, net of issuance costs (Note 17)		**2,051,187**	3,187,651
Payment for lease obligation (Note 15)		**(224,936)**	(79,628)
Loan received from Roosevelt prior to Transaction (Note 5)		**250,000**	-
Proceeds from FedDev Loan (Note 19)		**450,000**	-
Interest paid on convertible debt (Note 17)		**(54,665)**	
Payment for share cancellation (Note 5)		**(283,235)**	
Cash generated from financing activities		**8,111,007**	**3,998,655**
(Decrease) / increase in cash and cash equivalents		**(492,480)**	619,305
Effect of exchange rates on cash and cash equivalents		**(6,338)**	(14,397)
Cash and cash equivalents, beginning of the year		**637,560**	32,653
Cash and cash equivalents, end of the year		**138,742**	**637,560**
Cash		**78,742**	637,560
Restricted cash		**60,000**	-

See accompanying notes to consolidated financial statements.

1. Nature of operations

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

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

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

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

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

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

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, 2021, the Company had a deficit of $39,558,051 (2020 - $28,301,185), including a net loss of $11,256,866 and negative operating cashflow of $9,180,938 for the year ended December 31, 2021 (2020 – net loss of $5,812,262 and negative operating cashflow of $3,528,264).

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.

3. Significant accounting policies

Statements of compliance
The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on May 2, 2022.

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
On April 12, 2021, the Company completed the reverse takeover transaction (See Note 5). As a result of this transaction, the parent is now a Canadian entity with shares listed in Canadian dollars (CAD) on the stock exchange resulting in a Canadian functional currency for the parent. Previously, the parent was domiciled in the United States with United States dollars (USD) functional currency.

These consolidated financial statements are presented in Canadian dollars (CAD), 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 and United States dollars (USD), respectively.

In 2021, the Company changed the accounting policy for the presentation currency of these consolidated financial statements from USD to CAD. As a result, the Company commenced reporting in Canadian dollars and has restated all its comparable figures from previously reported United States dollars (USD). See Note 25.

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

3. Significant accounting policies (continued)

Basis of consolidation
The Company's consolidated financial statements include the accounts of the public company entity, Cloud DX Inc (formerly Roosevelt Capital Group 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 subsidiary is 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. (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 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 stand-alone selling price. In addition, variable consideration should only be recognized to the extent that is highly probable that a significant reversal in the amount of the cumulative revenue recognized will not occur. 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.

3. Significant accounting policies (continued)

Revenue recognition (continued)

Subscriptions:
Subscription's 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 Group 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 services 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 third party costs 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.

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

3. Significant accounting policies (continued)

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 $78,742 in cash at December 31, 2021 ($637,560 in 2020) and no cash equivalents at December 31, 2021 and 2020.

3. Significant accounting policies (continued)

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 lives for intangible assets having finite lives are as follows:

Intellectual property	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 and development 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.

3. Significant accounting policies (continued)

Impairment of non-financial assets (continued)
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 non-financial assets recognized in a prior period are re-assessed 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
Prior to April 12, 2021, the Company had two Share-based compensation plans: the "Incentive Share Option Plan" and the "Non-Qualified Share Option Plan". There were 72,730 incentive share options or non-qualified share options issued and 78,324 incentive share options or non-qualified share options forfeited in the three and nine months ended September 30, 2021.

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

The Company has a share-based compensation plan, which is described in Note 13. 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.

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

3. Significant accounting policies (continued)

Share-based compensation and other share-based payments (continued)
The Company observed similar public companies in order to estimate volatility over the estimated life of the options. Changes in these variables can materially impact the estimated fair value of share-based compensation and consequently, the related amount recognized to share-based compensation expenses in the consolidated statements of operations and comprehensive loss.

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

Incentive and Non-qualified options issued at December 31, 2020	4,970,022
Less: Incentive and Non-qualified options cancelled	(4,970,022)
Add: 1,500,000 Roosevelt options giving effect to the consolidation ratio of 4.8123	374,042
Add: Options issued less forfeitures	4,026,844
Issued and outstanding options as at December 30, 2021	4,400,886

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.

3. Significant accounting policies (continued)

Financial instruments and risk management (continued)

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 two categories: amortized cost or FVTPL; 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
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Investments	FVTPL
Derivative financial liabilities (conversion feature)	FVTPL
Notes 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.

3. Significant accounting policies (continued)

Financial instruments and risk management (continued)

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:

- 12-month 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 7.

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.

3. Significant accounting policies (continued)

Financial instruments and risk management (continued)

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. From January 1, 2018, leases have been 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.

3. Significant accounting policies (continued)

Leases (continued)

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, 2021 and 2020, the Company has incurred a net loss; therefore, the convertible debentures, warrants and share options are all anti-dilutive.

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:

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 for the purpose of annual impairment testing 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.

4. Use of estimates and judgments (continued)

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
The Company uses a Black Scholes model to estimate the fair value of derivative financial instruments, which consists of 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 17. 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.

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.

4. Use of estimates and judgments (continued)

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.

Going concern

Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2021 and 2020. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

Expected credit losses

Other areas where the Company employs judgment and estimates include the determination of expected credit loss as described in Note 7.

COVID-19 pandemic

The COVID-19 pandemic developed rapidly in 2020. Measures taken by various governments to contain the virus have affected economic activity. The Company has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures (social distancing, working from home and specific protocols for office attendance) and securing the supply of materials that are essential to the operations. At this stage, the impact on the business has been positive. As the Company operates in the healthcare sector, there has been an increased demand for the products and services. Further, there is a higher propensity to be considered for grants. The Company will continue to follow the various government policies and advice and, monitor the implications of COVID-19 on the Company.

The Company's remote patient monitoring trials continue to be hampered by COVID-19 lockdowns in New Brunswick.

5. Reverse Takeover

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

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

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

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

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

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

5. Reverse Takeover (continued)

Purchase price consideration

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

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

The Company recognized $1,634,321 as listing expenses during the period ended on December 31, 2021, which is comprised of non-cash listing expenses of $723,106 and expenses with professional and consulting fees of $911,217.

6. Restricted cash

As at December 31, 2021, the Company had $60,000 (2020 - $nil) of restricted cash held as collateral against its credit card limit. The funds are invested in a cashable Guaranteed Investment Certificate (GIC) which matures on May 2, 2022. The credit facility was established in 2022 (Note 26).

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

7. Trade and other receivables

	December 31 2021	December 31 2020
Trade receivables	**196,709**	352,514
Harmonized Sales tax receivable	**216,072**	74,723
Less expected credit losses	**(8,859)**	(8,283)
	403,922	418,954

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.

8. Inventory

	December 31 2021	December 31 2020
Finished goods	**266,927**	462,750
Goods in work in progress	**418,021**	97,348
	684,948	560,098

Inventory related to sales recognized as cost of goods sold during year amounted to $199,113 (2020 - $667,972) As at December 31, 2021 the Company recognized an impairment in the inventory balance of $289,160 (2020 -$ 64,623) as a result of obsolete inventory.

9. Marketable securities

During the year ended December 31, 2021, the Company sold 810,178 shares (2020 - 588,549) generating net proceeds of $641,981 (USD $506,374) (2020 – CAD$ 258,723; USD $193,033). During the year ended December 31, 2021, a realized gain of $208,203 (USD $166,098) (2020 – CAD$ 91,809; USD$68,498) but with a zero unrealized gain (2020 – CAD$38,149; USD $28,463) was recorded as a gain/(loss) on marketable securities on the consolidated statement of loss and comprehensive loss.

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

10. Intangible assets

Intangible assets

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

		Intellectual Property
Cost		
Balance at December 31, 2019	$	1,516,246
Foreign exchange difference		(30,016)
Balance at December 31, 2020	$	1,486,230
Foreign exchange difference		(6,350)
Balance at December 31, 2021	$	1,479,880
Accumulated amortization and impairment		
Balance at January 1, 2019	$	(808,664)
Amortization		(165,612)
Foreign exchange difference		32,996
Balance at December 31, 2020	$	(941,280)
Amortization		(156,451)
Foreign exchange difference		12,487
Balance at December 31, 2021	$	(1,085,244)
Carrying amounts		
Balance at December 31, 2020	$	544,950
Balance at December 31, 2021	$	394,636

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

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

11. Property, plant and equipment and Asset in Progress

a) 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 Value
Cost						
January 1, 2020	$ 34,625	19,326	9,757	20,460	-	84,168
Additions	32,513	5,129	-	77,383	-	115,025
Disposals	-	-	-	-	-	-
Foreign exchange	(1,426)	(175)	-	(4,277)	-	(5,878)
December 31, 2020	65,712	24,280	9,757	93,566	-	193,315
Additions	54,225	2,810	-	7,131	31,085	95,251
Transfers	-	-	-	-	26,905	26,905
Disposals	-	-	-	-	-	-
Foreign exchange	(6)	(12)	-	(57)	-	(75)
December 31, 2021	**119,931**	**27,078**	**9,757**	**100,640**	**57,990**	**315,401**

	Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Leasehold Improvements	Total Value
Accumulated depreciation		$				
January 1, 2020	$ 26,498	8,208	9,757	16,039		60,502
Amortization	21,390	8,386	-	6,282		36,058
Foreign exchange	(530)	(33)	-	(408)		(971)
Balance at December 31, 2020	47,358	16,561	9,757	21,913		95,589
Amortization	21,589	1,613	-	22,029	3,624	48,855
Foreign exchange	(6)	(8)	-	(48)		(62)
Balance at December 31, 2021	**68,941**	**18,166**	**9,757**	**43,890**	**3,624**	**144,382**
Carrying amounts						
Balance at December 31, 2020	**18,355**	**7,719**	**-**	**71,653**		**97,726**
Balance at December 31, 2021	**50,990**	**8,912**	**-**	**56,746**	**54,366**	**171,019**

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

11. Property, plant and equipment and Asset in Progress (continued)

a) Property, plant and equipment (continued):

		December 31 2021	December 31 2020
Property and equipment, net			
Canada	$	**162,502**	95,357
United States of America	$	**8,517**	2,369
Total property and equipment, net		**171,019**	97,726

b) Asset in progress:

December 31, 2020		64,867
Additions	$	134,542
(Less) reimbursement from landlord	$	(172,504)
(Less) transferred to Leasehold Improvements		(26,905)
December 31, 2021		**-**

12. 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 December 31, 2020	43,917,607	$ 19,082,662
Conversion of convertible debt (ii)	11,826,254	5,467,014
Shares issued for subscription receipts (vi)	12,190,000	4,928,620
Dissenting shareholder cancellation (iv)	(674,370)	(283,235)
Compensation shares and issuance costs (v)	1,094,490	(492,797)
Shares issued on reverse takeover (i)	3,740,415	1,557,823
Deferred tax on issuance cost	-	173,597
Balance at December 31, 2021	**72,094,396**	**30,433,684**

i. On April 12, 2021 Roosevelt consolidated its shares on a 1:4.8123 basis from 18,000,000 issued and outstanding shares to 3,740,415.

ii. On April 12, 2021 CDX issued 528,470 shares upon conversion of the convertible notes. These shares were then exchanged with Cloud Canada at a 22.3783 new for 1 old ratio resulting in 11,826,254 shares of Cloud Canada issued. Subsequently, these were exchanged on a 1:1 basis in the Transaction resulting in 11,826,254 shares being issued.

iii. On April 12, 2021 CDX exchanged its outstanding shares at a 22.3783 new for 1 old basis with Cloud Canada which were then, with the exception of the dissenting shareholder shares, exchanged on a 1:1 basis in the Transaction.

iv. Subsequent to the Transaction, the dissenting shareholders shares were cancelled.

v. 1,094,490 shares were issued pursuant to consulting arrangements attached to the Transaction together with professional and other transaction related costs.

vi. On April 12, 2021 the Company completed brokered private placement of an aggregate of 12,190,000 shares in the capital of Cloud Canada plus a ½ warrant which were exchanged on a 1:1 basis and issued by the Company for aggregate gross proceeds of $6,095,000 ($5,276,327 net of issuance costs). The Company issued 6,095,000 warrants with each warrant exercisable into one common share at a price of $0.65 per share until April 13, 2023. Haywood Securities Inc. and Echelon Wealth Partners Inc. jointly acted as lead agents in connection with the private placement for which they were paid a cash commission of $476,100 and were issued 752,000 warrants with each warrant exercisable into one common share at a price of $0.50 per share until April 12, 2023. The fair value of all warrants issued under the private placement was determined to be $1,166,380 using a Black Scholes model based on the following assumptions: volatility – 98%; risk-free interest rate – 0.25%; stock price at April 12, 2021 - $0.42 and an expected life of 2 years.

As at December 31, 2021, the Company incurred a net loss; warrants and options were antidilutive.

13. Share-based payments

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

In 2021, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of $1,018,058 (2020 - $335,201) in relation to its share option programs.

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.

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

13. Share-based payments (continued)

In 2020, the Company awarded employees 36,000 share options (805,618 share options post exchange). Of these share options, 30,000 (671,349 share options post exchange) have a vesting term of 9,000 (201,405 share options post exchange) after 90 days, 9,300 (208,118 share options post exchange) after 1 year and 11,700 (261,826 share options post exchange) after 2 years. 25% of the residual options 25% vest on grant date and 75% vest at the end of each of the sixth month period ended thereafter on a proportionate basis up to 1.5 years. All options expire on the 5th anniversary from the date of grant. No shares were forfeited during 2020 due to employee departures.

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. All Share Options that are not designated as Incentive Share Options or do not qualify as Incentive Share Options are deemed Non-Qualified Share Options.

In 2020, the Company awarded external consultants 5,000 share options (111,892 share options post exchange) which vest 20% on grant and 20% at the end of each sixth month period ended thereafter.

On April 12, 2021, all options outstanding under the incentive share option plan and the non-qualified option plan were cancelled by the Company and Roosevelt’s Share Option Plan governed all option grants for the continuing company thenceforward. As a result, the Company assessed the new fair value of the modified options and recorded an incremental expense. This plan permits a maximum of 10% of the aggregate number of issued and outstanding Common Shares of the Company to be optioned. The then outstanding 1,500,000 options outstanding were consolidated on a 1:4.8123 basis to 374,042 and on April 14, 2021, the Company issued 4,604,963 options to various employees and service providers and 16,784 options on August 13, 2021.

The following is a summary of share options for the years ended December 31, 2021 and 2020 after adjusting for the 22.3783 exchange ratio for the CDX options (see Note 5) and the 4.8123 consolidation ratio for the Roosevelt options.

	2021		2020	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
As at January 1	**$1.22**	**4,970,220**	$1.20	4,903,086
Cancelled during the year	**$1.22**	**(4,970,220)**	-	-
Granted during the year	**$0.64**	**4,995,789**	$1.12	917,510
Forfeited during the year	**$0.65**	**(581,836)**	$1.12	(760,862)
Exercised during the year	**-**	**-**	$0.11	(89,513)
As at December 31	**$0.64**	**4,413,953**	$1.22	4,970,220
Vested and exercisable at December 31	**$0.63**	**4,086,372**	$1.23	4,033,129

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

13. Share-based payments (continued)

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

			# of Share options	
Grant Date	Expiry Date	Exercise price	December 31, 2021	December 31, 2020
Nov 2016	Oct 2020*	$1.12	-	313,296
Apr-Nov 2016	Mar -Nov 2021	$1.12	-	67,135
Dec 2016	Nov 2021	$1.12	-	111,892
Aug 2017	Jul 2022	$1.12	-	44,757
Jan – Aug 2018	Aug 2022 – Feb 2023	$1.12-$1.57	-	89,513
Feb 2018 – Dec 2019	Jan 2021 – Nov 2023	$1.12	-	2,833,093
Feb – Dec 2019	Jan – Nov 2024	$1.62-$1.85	-	593,025
Jan – Dec 2020	Jan – Dec 2025	$1.12	-	805,619
Nov 2020	Oct 2025	$1.12	-	111,892
Apr 2021	Apr 2022 - Apr 2026	$0.48-$0.65	4,397,169	-
Aug 2021	Apr 2026	$0.65	16,784	-
Total			**4,413,953**	**4,970,220**
Weighted average remaining contractual life of options outstanding at end of period (in years)			3.95	2.71

* Extended to March 2021 in 2020

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:

	2021	2020	
Type of stock options plan		Incentive Share Options	Non-Qualified Share Options
Risk-free interest rate	0.27-0.95%	0.22-1.67%	0.38%
Expected Volatility	98%-100%	110-112%	1.1
Expected Dividends	$nil	$nil	$nil
Exercise Price	$0.48-$0.65	$1.12	$1.12
Expected Life	1-5 years	5 years	5 years
Share price, per option	$0.35-$0.42	$9.14-$10.03	$9.14

The Company has estimated the share price on each grant date by leveraging on the most recent equity transaction up to the reverse take over transaction date and leveraging the trading price thereafter.

During the year ended December 31, 2021, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of $1,018,058 (2020 - $345,936) and share-based payment reserve of $5,983,136 (2020 - $4,913,049) in relation to its share option programs.

13. Share-based payments (continued)

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

14. Litigation

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

15. 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.

On October 9, 2020, the Company signed a short-term lease for its office space in Brooklyn NY after its long term lease had expired. The amount of rent expensed under the terms of the new lease was $53,695 (2020 - $13,340) and was recorded as an office expense in the statement of loss and comprehensive loss in addition to the expenditures associated with the right of use lease below that preceded this short term contract. Lease ended on July 14, 2021.

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 upto $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 upto $14,319 (US$11,294) over lease term.

All the long-term leases were recorded as right-of-use asset for $600,287 (2020 - $808,493) and a corresponding lease liability of $600,287 (2020 - $790,769) was recorded.

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

15. Leases (continued)

Long Term Leases (continued)

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

		December 31, 2021		December 31, 2020
Right of use assets				
Opening right of-use asset	$	**1,234,892**		429,935
New leases		**607,305**		808,493
Termination of lease		**(426,399)**		-
Foreign exchange		**-**		(3,536)
Closing right of use asset		**1,415,798**		1,234,892

Accumulated depreciation				
Opening accumulated depreciation	$	**(479,415)**		(335,943)
Depreciation for the period		**(212,795)**		(147,823)
Termination of lease		**426,399**		-
Foreign exchange		**(611)**		4,351
Closing accumulated depreciation		**(266,423)**		(479,415)
Right of use assets, net		**1,149,375**		755,477

Lease liabilities				
Opening Lease Liability	$	**776,867**	$	46,135
Accretion/payment during the year		**77,636**		21,605
Principal payments		**(224,936)**		(81,908)
New leases		**607,305**		790,769
Foreign exchange		**(99)**		266
Closing lease liabilities		**1,236,773**		776,867

15. Leases (continued)

Long Term Leases (continued)

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

	Total
Contractual payments	1,454,620
Less: Amount attributable to interest	(217,848)
Liability at the end of year	1,236,773
Current liability	233,416
Non-current liability	1,003,356
Total	1,236,773

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 8%.

Right-of-use assets are amortized over the expected average lease term of 5 years (2019 – 2.5 years).

16. 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 2020.

As at December 31, 2021 and 2020, a 5% increase/decrease in the currency rate would increase/decrease the net loss by less than $10,000.

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.

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

16. Financial risks (continued)

Liquidity risk (continued)

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The following tables outline the Company's remaining contractual maturities for its non-derivative financial liabilities based on the earliest date the Company is required to make payment on these amounts:

					2021
			Payments due		
		Total	Less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	$	1,544,491	1,544,491	-	-
Lease liabilities		1,454,620	321,520	725,541	407,560
Advances from related parties		110,385	110,385	-	-
Loan payable		450,000	158,327	291,673	-
Convertible debt principal		2,192,000	-	2,192,000	-
Convertible debt interest payments		602,800	219,200	383,600	-
		6,354,296	**2,353,923**	**3,592,814**	**407,560**

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, 2021 and 2020, the trade and other receivables were within normal repayment terms and the Company had recorded expected credit losses as disclosed in Note 7.

Interest rate risk

The Company's convertible notes have a variable interest rate based on the prime rate plus 10%. As a result, the Company is exposed to interest rate risk due to fluctuations in the prime rate. There is no impact to the net loss as the impact to a change in the prime rate impacts only the variable number of shares to be issued upon conversion or payment at maturity of the notes.

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

17. Derivative financial instruments and convertible notes

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

Terminated Debentures		Debt host value	Derivative liability	Total
Balance at January 1, 2020	$	892,960	898,274	1,791,235
Converted into new debentures		(588,031)	(205,915)	(793,945)
Convertible debt issued		588,031	205,915	793,945
Convertible debt issued for cash (net of issuance cost)		2,454,097	935,895	3,389,993
Interest and accretion expense		574,119	-	574,119
Fair value adjustments including termination loss		-	90,263	90,263
Converted into common shares net of associated issuance costs (ii)		(398,138)	(711,454)	(1,128,411)
Foreign exchange		(123,386)	(22,884)	(146,271)
Balance at December 31, 2020		3,392,900	1,182,417	4,575,317
Convertible debt issued for cash (net of issuance cost)		198,523	75,135	273,658
Interest and accretion expense		615,711	-	615,711
Fair value adjustments		-	(77,643)	(57,392)
Converted into common shares net of associated issuance costs		(4,154,346)	(1,182,625)	(5,336,971)
Foreign Exchange		(52,788)	2,536	(50,252)
Balance at December 31, 2021		-	-	-

2021 Debentures	Debt host value	Fair value of warrants	Conversion feature	Total
Balance at January 1, 2021	$ -	$ -	$ -	$ -
Convertible debt issued for cash (net of issuance cost) (i)	1,475,789	124,784	176,956	1,777,529
Issuance of broker warrants	-	29,688	-	29,688
Interest and accretion expense	78,814	-	-	78,814
Payment of interest	(54,665)	-	-	(54,665)
Amortisation of issuance cost	26,024	-	-	26,024
Tax on issuance cost (Note 23)	-	-	(98,221)	(98,221)
Balance at December 31, 2021	1,525,962	154,472	78,735	1,759,169
Current	189,259	-	-	189,259
Non-current	1,336,703	154,472	78,735	1,569,910
Total	**1,525,962**	**154,472**	**78,735**	**1,759,169**

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

17. Derivative financial instruments and convertible notes (continued)

Inputs for measurement of issuance date fair values

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

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

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

(i) On October 1, 2021, the Company issued 2,192 units of a financial instrument for the total gross proceeds of $2,192,000. Each unit provides for $1,000 convertible debt and 1,430 warrants. Convertible debt is accrued at interest rate of 10% payable quarterly and convertible into common shares at a price of $0.35 per share at the discretion of holder anytime before maturity date of October 1, 2024. 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 457,457 broker warrants having exercise price of $0.35 per share and term of 2 years.

Fair value of host debt was calculated using market interest rate of 18.50% and warrants was recorded at fair value as described below with the residual value being allocated to conversion feature classified as equity.

Warrants were fair valued using the Black Scholes model with inputs to the model as follows:

	Issuance date - 2021
Risk-free interest rate	0.50%
Expected volatility	91.10%
Expected dividends	$nil
Exercise price	$0.35 - $0.50
Expected life	2 years

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

17. Derivative financial instruments and convertible notes (continued)

Inputs for measurement of issuance date fair values (continued)

(ii) During 2020, the Company had a voluntary conversion of a portion of its then issued and outstanding unsecured convertible debentures into share capital of the Company at $6.715 (USD$5) per share with the remaining portion of these debentures rolling into a new unsecured convertible debenture offering that was made open for further subscription. Upon this event, the Company recognized a fair value loss on extinguishment of $199,236 (USD$156,480) on the terminated notes, which was recognized net of the amount of $104,583 (USD$85,588) as Fair value gain (loss) in the consolidated statements of loss and comprehensive loss fair value adjustments.
In addition to the amount rolled from the old notes, the new convertible debenture had aggregate proceeds of $3,520,543 (USD$2,626,886) to December 31, 2020. These notes bear interest at prime + 10%, have maturity date of 18 months from the date of each individual agreement, are automatically convertible to common shares in a qualifying transaction at a 20% discount of the price per share. A qualifying transaction is defined as a transaction pursuant to which the Company (a) merges, amalgamates, or consolidates with or into any other company or business entity in which the Company is note the surviving entity and the Company's shareholders hold less than 50% of the surviving entity, (b) sells all or substantially all of its issued and outstanding shares of Common Stock or (c) completes an initial public offering of shares of Common Stock or other going public transaction. If the convertible debenture is outstanding upon maturity the holder has a right to either convert all of the principal and accrued but unpaid interest into Common Stock at a price of $13.40 (USD$10) per share or have all principal and accrued but unpaid interest converted to Common Stock paid in full.

18. Supplementary cash flow information

Change in working capital

	2021	2020
Trades and other receivables	**21,610**	(303,448)
Prepaid expenses	**46,939**	(181,246)
Inventory	**(315,398)**	(286,751)
Related parties	**(146,743)**	(73,858)
Deferred income (net)	**(648,170)**	918,762
Trade and other payable	**(36,939)**	567,239
Total change in working capital	**(1,078,701)**	640,698

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

19. Loans Payable

During 2021, CDX received $450,000 of its interest free $500,000 Business Scale Up and Productivity Contribution Agreement with the Federal Economic Development Agency for Southern Ontario. The facility is designed to assist with the Company's scale up in the North American markets, is non-interest bearing with repayments commencing in June 2023. The Company has recognized $178,650 of government funding as a result of the below market interest rate and is amortizing the balance owing over the repayment period of 7 years. The carrying amount of this loan at December 31, 2021 is $298,223 after assuming an discount rate of 12.45% to calculate the portion attributable to government funding

20. Related party transactions

During the year ended December 31, 2021, the Company has recorded an expense associated with consulting fees and wages to directors and officers and their wholly owned companies of $817,000 (2020 - $720,489). During the year, the Company incurred director fee expense of $51,000 (2020 - $nil)

The advances to/from related parties of $110,385 (2020 - $256,403), relate to advances to/from certain directors of the Company. These amounts have no fixed repayment terms, are unsecured and are non-interest bearing.

Compensation for key management personnel, including the Company's officers and Board of Directors, and private companies controlled by the Company's Officers and Board of Directors, was as follows:

		2021		2020
Contractor expense for services and wages	**$**	**817,000**	$	720,489
Share-based payments expense		**458,127**		144,446
Directors' fees		**51,000**		-
Total key management compensation		**1,326,127**		864,935

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

21. 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 for the year ended December 31, 2021, totalled $1,728,020 (December 31, 2020 - $4,290,404).

22. Revenue from contracts with customers

Disaggregation of Revenues:

		2021	2020
Subscriptions	$	**369,863**	301,213
Hardware Product Sales		**292,344**	709,907
Professional Services		**115,090**	137,675
Other		**5,000**	15,000
Total revenue		**782,297**	1,163,795

The Company earns revenue from the following geographical areas:

		2021	2020
Canada	$	**659,319**	988,024
United States		**122,978**	175,771
Total revenue		**782,297**	1,163,795

Contract Balances

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

		2021	2020
Trade receivable	$	**196,709**	352,514
Deferred income from contracts with customers		**(63,343)**	(24,053)
Net contract balances		**133,366**	328,461

In addition to deferred income from contracts with customers, deferred income from government grants at December 31, 2021 was $171,238 (2020 - $913,532).

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

23. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 - 21.3%) to the effective tax rate is as follows:

		2021	2020
Net loss before recovery of income taxes	$	**(11,355,087)**	(5,812,262)
Expected income tax recovery		**(3,009,098)**	(1,519,325)
Permanent differences		**647,570**	164,631
Tax rate differential		**437,128**	-
Impact of change in rates		**1,083,181**	-
Other		**(42,668)**	5,241
Change in unrecognized temporary differences and losses		**785,666**	1,349,453
Income tax (recovery) expense		**(98,221)**	-

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:

		2021	2020
Deferred tax asset	$	**537,713**	299,152
Deferred tax liability		**(364,116)**	(299,152)
Net deferred tax asset/(liability)		**173,597**	-

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

23. Income taxes (continued)

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

		2021	2020
Deferred Tax Assets			
Non-capital losses carried forward	$	**68,795**	96,118
Share Issuance Costs		**173,597**	-
Reserves		**32,507**	-
Lease liabilities		**262,814**	203,034
		537,713	299,152
Deferred Tax Liabilities			
Right of use assets		**(244,242)**	(197,445)
Unrealized gain or loss		**(14,579)**	(76,784)
Fixed Assets		**(13,469)**	(24,923)
Convertible Debentures		**(91,826)**	-
		(364,116)	(299,152)
Net deferred tax asset/(liability)		**173,597**	-

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:

		2021	2020
Non-capital loss carryforwards	$	**29,833,545**	21,244,922
Intangibles		**475,231**	427,729
Share Issuance Costs		**379,515**	-
Accrued Liabilities		**20,535**	150,569
Convertible Debentures		**-**	337,142
Other		**10,403**	13,244
		30,719,229	22,173,606

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

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

23. Income taxes (continued)

Unrecognized deferred tax assets (continued)

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 carryforwards that give rise to significant portions of the deferred tax asset which has not been recognized, with respect to Canada:

		2021		2020
Fixed Assets	$	**104,913**	$	56,748
SRED Pool Carryforward		**679,257**		559,621
SRED Credits		**147,731**		139,211
Deferred Financing Fees		**-**		11,533
Reserves		**152,974**		-
Non-Capital Losses		**21,657,313**		15,723,855
Lease liability		**42,069**		21,390
Other		**23,927**		14,148
		22,808,184		**16,526,506**

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:

2034	$	237,832
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		6,108,687
		21,657,313

The SRED expenditures of $679,257 are available to reduce taxable income in Canada, without expiry. The SRED credits of $147,731 are available to offset future Canadian federal tax obligations and commence to expire in 2025.

In 2021, the Company recognized in income $11,651 related to SRED claims received.

24. Government assistance and grants

During the year-ended December 31, 2021, the Company received various grants totaling $517,590 (2020 – $1,311,874).

In 2021, the total of grants received and deferred income from prior year recognized as income was $1,205,085 (2020 - $1,395,016). As at December 31, 2021 the amount of $171,238 (2020 - $913,532) has been deferred for recognition in 2022 when projects complete.

25. Restatement of financial results for a change in accounting in policy

The Company has restated its audited annual consolidated financial statements for the fiscal year ended December 31, 2020 for the following change in accounting policy:

As of April 12, 2021, the Company commenced reporting in Canadian dollars and has restated all its comparable figures from previously reported USD. As a result of the reverse takeover transaction (see Note 5), the parent is now a Canadian entity with shares listed in Canadian dollars on the stock exchange resulting in a Canadian functional currency for the parent. Previously, the parent was domiciled in the United States with a US functional currency due to US dollar denominated revenue and expenses. The presentation currency of the consolidated financial statements has also changed from US to Canadian dollars.

A change in presentation currency represents a change in an accounting policy in terms of International Accounting Standards (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors requiring the restatement of comparative information. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the following methodology was followed in restating historical financial information from USD into CAD:

- Historical exchange rates were used for equity components of the statement of financial position;
- Statement of financial position accounts were exchanged at the current rate of as at the period end 1.2516 (2020 - 1.3630), and
- The statement of loss and comprehensive loss items were translated using an average rate for the period of 1.2741 (2020 - 1.3339).

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

25. Restatement of financial results for a change in accounting in policy (continued)

Consolidated Statement of Financial Position – December 31, 2020

	Rate applied	As previously stated USD	Restated CAD
ASSETS			
Current	0.7854	1,853,135	2,359,478
Non-current assets	0.7854	1,149,057	1,463,020
Total Assets	0.7854	3,002,192	3,822,498
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current	0.7854	4,265,486	5,430,972
Non-current	0.7854	2,106,325	2,681,930
Total Liabilities	0.7854	6,371,811	8,112,902
Shareholders’ Equity (Deficiency)			
Share capital	Historical	14,654,165	19,082,662
Deficit	Historical	(21,614,646)	(28,301,185)
Share based payment reserve	Historical	3,765,309	4,913,049
Warrant reserve	Historical	7,080	9,512
Accumulated other comprehensive loss	Historical	(181,527)	5,558
		(3,369,619)	(4,290,404)
		3,002,192	$ 3,822,498

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

25. Restatement of financial results for a change in accounting in policy (continued)

Consolidated Statement of Financial Position – December 31, 2019

	Reference	As previously stated USD	Restated CAD
ASSETS			
Current	0.7698	850,265	1,104,455
Non-current assets	0.7698	635,315	825,246
Total Assets		1,485,580	1,929,701
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current	0.7698	1,553,161	2,017,487
Non-current	0.7698	1,336,443	1,735,978
Total Liabilities		2,889,604	3,753,465
Shareholders' Equity (Deficiency)			
Share capital	Historical	12,669,153	16,343,731
Deficit	Historical	(17,278,118)	(22,488,923)
Share based payment reserve	Historical	3,515,206	4,577,848
Accumulated other comprehensive loss	Historical	(310,265)	(256,420)
		(1,404,024)	(1,823,764)
		1,485,580	1,929,701

For the years ended December 31, 2021 and 2020 (stated in CAD dollars, unless otherwise stated)

25. Restatement of financial results for a change in accounting in policy (continued)

Consolidated Statements of Operations and Comprehensive Loss – December 31, 2020:

	Reference	As previously stated	Restated
Revenue	0.7461	868,308	1,163,795
Cost of inventories sold	0.7461	(546,589)	(732,595)
Gross profit	0.7461	321,719	431,200
Operating Expenses	0.7461	(5,208,669)	(6,981,194)
Operating loss	0.7461	(4,886,950)	(6,549,994)
Other (expenses)/income	0.7461	550,422	737,732
Loss before income taxes	0.7461	(4,336,528)	(5,812,262)
Income taxes		-	-
Net loss		($4,336,528)	($5,812,262)
Other comprehensive income/(loss)		128,738	261,978
Comprehensive loss		(4,207,790)	(5,550,284)
Basic and diluted weighted average number of shares:		42,019,779	42,019,779
Basic and diluted loss per share		(0.10)	(0.14)

Consolidated Statements of Cash Flows – December 31, 2020:

	Reference	As previously stated	Restated
Cash used in operating activities	0.7461	(2,633,195)	(3,528,264)
Cash generated from investing activities	0.7461	112,207	148,914
Cash generated from financing activities	0.7461	2,982,952	3,998,655
Increase in cash and cash equivalents	0.7461	461,964	619,305
Effect of exchange rates on cash and cash equivalents	0.7461	13,634	(14,397)
Cash and cash equivalents, beginning of the year	0.7461	25,141	32,653
Cash and cash equivalents, end of the year	0.7461	500,739	637,560

26. Subsequent events

The Company closed its Convertible note offering in January 2022 after raising a further $1,575,925 in proceeds. The terms are consistent with the debentures issued in 2021 as disclosed in Note 16 (i).

On February 16, 2022 the Company announced an aggregate of 565,363 stock options were granted to consultants to, and employees of the Company as part of an overall compensation and staff retention program. Each stock option entitles the holder thereof to purchase one common share in the capital of the Company at an exercise price of $0.35 per Common Share and expires on February 15, 2027.

On April 26, 2022 the Company entered into a definitive agreement for a $500,000 revolving loan with B&M Miller Equity Holdings Inc. and Zacorp Ventures Inc. In accordance with the Loan Agreement, the Loan is for a term of 18 months, and advances made under the Loan will bear interest at a rate of 12% per annum payable at the end of the term of the loan, plus standby by fee of 2.5% on the unused portion of the loan. The loan is secured against the assets of the Corporation, and contains certain other customary financial and other covenants. The loan will be used for general working capital purposes. B&M Miller Equity Holdings Inc. is a company controlled by a director of the Company.