CLOUD DX

Consolidated Financial Statements of
Cloud DX Inc.

For the years ended December 31, 2022 and 2021

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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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, 2022 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.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

Convertible debt

Key Audit Matter Description

Throughout the year, the Company entered into multiple tranches of convertible debt which amounted to $6.3 million in face value of convertible debentures being issued. On issuance of the convertible debt, the Company separated the convertible debt into the liability and equity components and determined the fair value of the liability component. In addition, there were conversions of related party loans to convertible debts which added to the complexity.

We considered this to be a key audit matter due to the materiality and complexity involved in performing procedures to test key assumptions in determining the fair value of the convertible debt and related instruments (conversion feature, warrants, and loan with related parties), which involved judgment from management. Please refer to Notes 4, 16, and 19 in the consolidated financial statements for further details.

Audit Response

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

- We assessed the accounting for the convertible debentures and component parts in accordance with International Financial Reporting Standards;
- We sent out confirmations to all related parties and brokered tranches of the convertible debt to agree all key terms for the issuances such as amounts received, interest rate, maturity, transaction costs, etc.;
- We selected a sample of all non-brokered issuances, agreed to the terms outlined in the subscription agreement, and tied back the deposits to the bank statement;
- We agreed the total deposits from the listing provided by the Company back to the confirmation received from the Trust Company;
- With the assistance of internal valuations specialists, we evaluated the reasonability of the fair values calculated by management for the convertible debentures on the issuance date and as applicable on the conversion date or December 31, 2022, based on available market data;
- We assessed the appropriateness of the disclosures relating to the convertible debentures in the notes to the consolidated financial statements;
- We recalculated the convertible debentures schedules and compared them to management's support calculations; and
- We traced the interest paid to the bank statement and tied back the interest and accretion expenses to the general ledger.

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

MNP LLP

Waterloo, Ontario — Chartered Professional Accountants

May 14, 2023 — Licensed Public Accountants

CLOUD DX

Cloud DX Inc.

Consolidated Statements of Financial Position

As at December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

	December 31, 2022	December 31, 2021
Assets		
Current Assets:		
Cash and cash equivalents	$ 69,536	$ 78,742
Restricted cash (Note 6)	60,060	60,000
Trade and other receivables (Note 7)	179,700	403,922
Inventories (Note 8)	185,135	684,948
Prepaid expenses and deposits	91,640	106,155
Contract assets	28,547	-
	614,618	1,333,767
Non-Current Assets:		
Intangible assets (Note 9)	263,496	394,636
Property, plant and equipment (Note 10)	119,904	171,019
Right of use asset (Note 14)	899,141	1,149,375
Inventories (Note 8)	409,346	-
Deferred tax asset (Note 22)	-	173,597
Total Assets	**2,306,505**	**3,222,394**
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Trade and other payables	3,490,896	1,544,491
Deferred income (Notes 21 and 23)	364,718	234,581
Current portion of lease liabilities (Note 14)	293,357	233,416
Advances from related parties (Note 19)	267,333	110,385
Loans from related parties (Note 19)	1,151,880	-
Current portion of loan payable (Note 18)	58,331	-
Current portion of convertible debt (Note 16)	2,050,909	189,259
	7,677,424	2,312,132
Non-Current Liabilities:		
Lease liabilities (Note 14)	749,022	1,003,356
Loan payable (Note 18)	302,092	298,223
Convertible debt (Note 16)	5,224,674	1,336,703
Total liabilities	**13,953,212**	**4,950,414**
Shareholders' Deficit:		
Share capital (Note 11)	30,260,087	30,433,684
Contributed surplus (Notes 19)	138,464	-
Deficit	(50,175,076)	(39,558,051)
Share-based payment reserve (Note 12)	6,049,565	5,983,136
Warrant reserve	1,530,146	1,349,790
Conversion feature on convertible debt (Note 16)	573,498	78,735
Accumulated other comprehensive loss	(23,391)	(15,314)
	(11,646,707)	(1,728,020)
Total Liabilities and Shareholders' Deficit	**2,306,505**	**3,222,394**

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, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

		2022		2021
Revenue (Note 21):				
Subscription revenue	$	512,654	$	369,863
Product sales		608,977		292,344
Professional services		42,272		115,090
Other		2,100		5,000
		1,166,003		782,297
Cost of inventories sold (Note 8)		(563,107)		(491,288)
Gross profit		602,896		291,009
Operating expenses:				
Advertising and promotion		(312,078)		(468,627)
Amortization & depreciation		(498,766)		(407,954)
Bad debt recovery/(expense)		1,492		(25,107)
Dues and memberships		(420,109)		(238,280)
Insurance		(173,578)		(145,567)
Office and data		(724,759)		(700,617)
Professional fees		(1,261,150)		(1,328,700)
Research		(397,928)		(473,881)
Salaries, wages and benefits		(6,285,118)		(5,737,410)
Share-based compensation (Note 12)		(66,429)		(1,018,058)
Travel		(96,630)		(42,875)
Other general and administrative		(86,896)		(124,442)
		(10,321,949)		(10,711,518)
Operating loss		**(9,719,053)**		**(10,420,509)**
Other (expenses)/ income:				
Foreign exchange gain/(loss)		(11,373)		73,315
Interest expense		(1,599,620)		(709,397)
Fair value loss (Note 5)		-		(77,463)
Government funding and grant income (Note 23)		493,962		1,205,085
Gain on marketable securities		-		208,203
Loss on extinguishment of loans from related parties (Note 19)		(36,036)		-
Listing expense (Note 5)		-		(1,634,321)
Transaction fees		(18,794)		-
		(1,171,861)		(934,578)
Loss before income taxes		(10,890,914)		(11,355,087)
Income taxes (Note 22)		273,889		98,221
Net loss		**(10,617,025)**		**(11,256,866)**
Other comprehensive loss:				
Foreign exchange translation adjustment		(8,077)		(20,872)
Comprehensive loss		**(10,625,102)**		**(11,277,738)**
Basic and diluted loss per share		**(0.15)**		**(0.18)**
Weighted average number of shares outstanding		72,094,396		64,276,113

See accompanying notes to consolidated financial statements.

Cloud DX Inc.

Consolidated Statements of Changes in Shareholders' Deficit

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

	Number of shareholders' shares	Share capital (Note 11)	Share-based payment reserve (Note 12)	Warrants reserve (Note 12)	Other Equity	Accumulated other comprehensive loss / (income)	Deficit	Total (Note 20)
January 1, 2021	**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 11)	12,190,000	4,928,620	-	1,166,380	-	-	-	6,095,000
Warrant Issuance (Note 11)	-	-	-	154,472	-	-	-	154,472
Conversion of debt	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 22)	-	173,597	-	-	(98,221)	-	-	75,376
Share-based compensation (Note 12)	-	-	1,018,058	-	-	-	-	1,018,058
Conversion feature of convertible debt (Note 16)	-	-	-	-	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)**
Contributed surplus (Note 19)					138,464			138,464
Warrant issuance (Note 11)	-	-	-	301,046	-	-	-	301,046
Issuance cost	-	-	-	(40,913)	(43,624)	-	-	(84,537)
Share-based compensation (Note 12)	-	-	66,429	-	-	-	-	66,429
Recovery of deferred tax on issuance cost (Note 22)	-	(173,597)	-	(79,777)	(194,112)	-	-	(447,486)
Conversion feature of convertible debt (Note 16)	-	-	-	-	732,499	-	-	732,499
Net loss and comprehensive loss for the year	-	-	-	-	-	(8,077)	(10,617,025)	(10,625,102)
December 31, 2022	**72,094,396**	**30,260,087**	**6,049,565**	**1,530,146**	**711,962**	**(23,391)**	**(50,175,076)**	**(11,646,707)**

See accompanying notes to consolidated financial statements.

Cloud DX Inc.

Consolidated Statements of Cash Flow

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

		2022		2021
Cash flows used in operating activities:				
Net loss	$	(10,617,025)	$	(11,256,866)
Items not affecting cash:				
Depreciation of property, plant and equipment and right-of-use		346,902		261,636
Amortization of intangible assets		151,864		146,318
Recovery of income tax (Note 22)		(273,889)		(98,221)
Non-cash write-offs		209,653		289,160
Broker warrants issued to finance convertible debt (Note 16)		-		29,688
Realized gain from disposal of marketable securities		-		(208,203)
Bad debt (income) expense		(1,492)		25,107
Consulting expense settled by issuance of shares, convertible debt or options		214,250		455,838
Fair value loss (Note 5)		-		77,463
Interest expense on lease liabilities (Note 14)		89,843		77,636
Share-based compensation expense (Note 12)		66,429		1,018,058
Loss on extinguishment of related party loans (Note 19)		36,036		-
Fair value adjustment on interest-free loan from FedDev (Note 18)		(26,774)		(178,650)
Interest accretion on FedDev loan		38,973		26,874
Finance costs – net		1,042,294		559,582
Non-cash listing expenses (Note 5)		-		723,106
Changes in working capital (Note 17)		2,408,558		(1,078,701)
Amortization of issuance cost (Note 16)		194,088		26,074
Net foreign exchange gain		(34,802)		(76,837)
Cash used in operating activities		**(6,155,092)**		**(9,180,938)**
Cash flows generated from (used in) investing activities:				
Proceeds from disposal of marketable securities		-		634,740
Cash from lease improvement allowance (Note 10)		-		172,504
Leasehold improvements (Note 10)		(2,348)		(134,542)
Purchase of property, plant and equipment (Note 10)		(10,727)		(95,251)
Cash (used in) generated from investing activities		**(13,075)**		**577,451**
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 11)		-		5,276,327
Proceeds from issuance of convertible debt, net of issuance costs (Note 16)		4,180,603		2,051,187
Payment for lease obligation (Note 14)		(321,419)		(224,936)
Loan received from Roosevelt prior to transaction (Note 5)		-		250,000
Proceeds from related party loans (Note 19)		2,983,445		-
Issuance cost paid on convertible debt (Note 16)		(335,789)		-
Proceeds from FedDev Loan (Note 18)		50,000		450,000
Interest paid on convertible debt (Note 16)		(397,510)		(54,665)
Payment for share cancellation (Note 5)		-		(283,235)
Cash generated from financing activities		**6,159,330**		**8,111,007**
Decrease in cash and cash equivalents		(8,837)		(492,480)
Effect of exchange rates on cash and cash equivalents		(309)		(6,338)
Cash and cash equivalents, beginning of the year		138,742		637,560
Cash and cash equivalents, end of the year		**129,596**		**138,742**
Cash		69,536		78,742
Restricted cash		60,060		60,000

See accompanying notes to consolidated financial statements.

1. Nature of operations

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

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

2. Going concern

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

As at December 31, 2022, the Company had a deficit of $50,175,076 (2021 - $39,558,051). During the year ended December 31, 2022, the Company incurred a net loss of $10,617,025 and a negative operating cashflow of $6,155,092 (2021 – net loss of $11,256,866 and negative operating cashflow of $9,180,938). As at December 31, 2022, the Company's current liabilities exceeded its current assets by $7,062,806 (2021 – $978,365).

The Company's ability to continue as a going concern is dependent upon its ability to raise equity and debt financing and on the ability to sell patient monitoring hardware and software and obtain profitable operations. There are no assurances that the Company will be successful in achieving these goals. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting policies applicable to going concern. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations. Hence such adjustments would be material to the financial reporting of the Company.

3. Significant accounting policies

Statements of compliance

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

Basis of measurement and presentation

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

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company subsequent to the transaction, as disclosed in Note 5. The Company’s wholly owned subsidiaries in Canada and United States, have functional currencies in Canadian dollars (“CAD”) and United States dollars (“USD”), respectively.

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

Basis of consolidation

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

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

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

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

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

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

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

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

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.

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. Relative fair value approach is used to determine the standalone values of subscriptions and product sales.

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

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.

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

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 $69,536 in cash and cash equivalents at December 31, 2022 ($78,742 in 2021).

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.

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

The Company has a share-based compensation plan, which is described in Note 12. Equity instruments awarded to employees are measured and recognized based on the Black-Scholes option pricing model. The compensation cost is recognized over the vesting period based on the number of awards expected to vest. Awards for past service and awards that vest immediately are recognized as an expense in the period when granted.

When options are exercised, the amount initially recognized in the share based-payment reserve is reduced, with a corresponding increase in share capital. Any incremental fair value to cancelled options under the incentive option plan and non-qualified option plan were expensed immediately for fully vested options. Where options were not fully vested, the remaining share-based compensation of the cancelled options was combined with the incremental fair value of the newly issued options and is being amortized over the remaining vesting period on a graded vested basis.

The Company 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.

Financial instruments and risk management

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets and liabilities classified as measured at amortized cost are subsequently measured using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in the consolidated statements of loss and comprehensive loss. Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if the Company transfers the control or substantially all the risks and rewards of ownership to another party. Any resulting gain or loss on derecognition is recorded in the consolidated statements of loss and comprehensive loss in the period that the asset is derecognized.

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

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

Financial liabilities are classified and measured based on 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
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Advances from related parties	Amortized cost
Loans from related parties	Amortized cost
Investments	FVTPL
Derivative financial liabilities (conversion feature)	FVTPL
Notes/Loans payable	Amortized cost
Convertible debt host	Amortized cost

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

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

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

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

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:
Level 1 - Defined as observable inputs such as quoted prices in active markets.
Level 2 - Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
Level 3 - Defined as inputs that are based on little or no observable market data, therefore requiring entities to develop their own assumptions.

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

- 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 3.

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

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

Government Assistance

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

Income taxes

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

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

Leases

The Company leases various offices and storage space, where rental contracts are typically made for fixed periods of 2 to 5 years, but may have extension options, in which the extension and termination options held are exercisable only by the Company and not by the respective lessor. 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.

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, 2022 and 2021, 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:

Revenue recognition

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

Inventories

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

Identification of CGUs

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

Impairment of long-lived assets

The carrying value of property and equipment and intangible assets is reviewed each reporting period to determine whether indicators of impairment exist. The recoverable amounts attributed to CGUs reflect the higher of fair value less costs to sell (FVLCS) or value in use. The Company’s determination of a CGU’s recoverable amount, which could include an estimate of FVLCS, uses market information to estimate the amount the Company could obtain from disposing of the asset in an arm's length transaction, less the estimated cost of disposal. The Company estimates value in use by discounted estimated future cash flows for the CGU or asset to its present value using a pre-tax discount rate reflecting a current market assessment of the time value of money and certain risks specific to the CGU or asset. Estimated cash flows are based on management's assumptions and business plans which are supported by internal strategies, plans and external information. The estimate of the recoverable amount for an asset or CGU requires significant estimates such as future cash flows, growth rates, and terminal and discount rates.

Depreciation of property and equipment and intangible assets

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

Fair value of derivative financial instruments and loans

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

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

Share-based payments

The Company uses the Black-Scholes option pricing model to estimate the fair value of shared-based compensation which require the use of several input variables. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of warrants and share based compensation. The fair value reported may not represent the transaction value if these warrants or options were exercised/exchanged at any point in time.

Leases

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

Deferred taxes

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

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, 2022 and 2021. 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 3.

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 share 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. 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.

Purchase price consideration

CDX is deemed to have acquired the Company and accordingly the Transaction has been accounted for using the acquisition method of accounting whereby the assets acquired and liabilities assumed are recorded at their estimated fair value at the acquisition date. The acquisition did not meet the criteria for a business combination and is therefore treated as a recapitalization under the scope of IFRS 2 – Share Based Payments. The consideration consisted entirely of equity (shares, options and warrants) of the Company which were measured at the estimated fair value on the date of acquisition. The fair value of the Common Shares issued to the former Roosevelt shareholders was determined to be $1,557,823 based on the fair value of the shares issued (3,740,415 shares at $0.42 per share). This share price was determined using the $0.50 value of the subscription receipts and simulating the per warrant and per share respective values with a Black Scholes model using a volatility of 98%, a risk-free rate of 0.25%, $0.65 exercise value of the warrants and a 2-year term. The fair value of the Roosevelt Options was determined to be $52,029 using a Black Scholes model based on the following assumptions: volatility – 98%; Risk-free interest rate – 0.27%; Stock price - $0.42, exercise price - $0.48 and an expected life of 1 year. The fair value of the Roosevelt Warrants was determined to be $19,426 using a Black Scholes model based on the following assumptions: volatility – 87%; Risk-free interest rate – 0.27%; Stock price at April 12, 2021 - $0.42 and an expected life of 0.35 years. In connection with the acquisition, the Company issued consideration of $1,629,278.

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

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**

6. Restricted cash

As at December 31, 2022, the Company had $60,060 ($60,000 in 2021) of restricted cash held as collateral against its credit card limit. The funds are invested in a cashable Guaranteed Investment Certificate (GIC) which matures on May 4, 2023. The credit facility was established in 2022.

7. Trade and other receivables

	December 31 2022	December 31 2021
Trade receivables	86,909	196,709
Harmonized Sales tax receivable	100,662	216,072
Less expected credit losses	(7,871)	(8,859)
	179,700	403,922

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.

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

8. Inventory

	December 31 2022	December 31 2021
Finished goods	185,135	266,927
Goods in work in progress (short-term)	-	418,021
Goods in work in progress (long-term)	409,346	-
	594,481	684,948

Inventory related to sales recognized as cost of goods sold during year amounted to $353,458 (2021 - $199,113) As at December 31, 2022 the Company recognized an impairment in the work in progress inventory balance of $209,653 (2021 $289,160), due to the delays in the development of Pulsewave PAD 2 wrist cuff health monitor and its revised production estimates. The Company has classified inventory as long-term where the expected sale is beyond one year from December 31, 2022.

9. 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, 2020	$	1,486,230
Foreign exchange difference		(6,350)
Balance at December 31, 2021	$	1,479,880
Foreign exchange difference		101,086
Balance at December 31, 2022	$	1,580,966
Accumulated amortization and impairment		
Balance at January 1, 2021	$	(941,280)
Amortization		(156,451)
Foreign exchange difference		12,487
Balance at December 31, 2021	$	(1,085,244)
Amortization		(151,864)
Foreign exchange difference		(80,362)
Balance at December 31, 2022	$	(1,317,471)
Carrying amounts		
Balance at December 31, 2021	$	394,636
Balance at December 31, 2022	$	263,496

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

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

10. 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, 2021	$	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
Foreign exchange		(6)	(12)	-	(57)	-	(75)
December 31, 2021		119,931	27,078	9,757	100,640	57,990	315,401
Additions		9,610	-	-	1,086	2,348	13,044
Foreign exchange		248	192	-	902	-	1,342
December 31, 2022		**129,789**	**27,270**	**9,757**	**102,627**	**60,338**	**329,787**

		Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Leasehold Improvements	Total Value
Accumulated depreciation			$				
January 1, 2021	$	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
Amortization		30,883	1,935	-	17,964	14,719	65,502
Foreign exchange		1	-	-	(1)	-	-
Balance at December 31, 2022		**99,825**	**20,101**	**9,757**	**61,853**	**18,343**	**209,884**

Carrying amounts

	Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Leasehold Improvements	Total Value
Balance at December 31, 2021	**50,990**	**8,912**	**-**	**56,746**	**54,366**	**171,019**
Balance at December 31, 2022	**29,966**	**7,169**	**-**	**40,774**	**41,995**	**119,904**

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

		December 31 2022	December 31 2021
Property and equipment, net			
Canada	$	117,735	162,502
United States of America	$	2,169	8,517
Total property and equipment, net		119,904	171,019

11. Share capital

Authorized and issued

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

	Number of Shares		Total Value
Balance at January 1, 2021	**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
Recovery of deferred tax on issuance cost	-		(173,597)
Balance at December 31, 2022	**72,094,396**		**30,260,087**

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

ii. On April 12, 2021 CDX issued 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 $1,146,221 using a Black Scholes model based on the following assumptions: volatility – 98%; risk-free interest rate – 0.25%; stock price at April 12, 2021 - $0.42 and an expected life of 2 years.

During the year ended December 31, 2022, the Company did not issue any additional share capital.

12. Share-based payments

Incentive Share Option Plan

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

Non-qualified Share Option Plan

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

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 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 then issued 16,784 options on August 13, 2021.

The following is a summary of share options for the years ended December 31, 2022 and 2021 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.

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

	2022		2021	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at January 1	$0.64	4,413,953	$1.22	4,970,220
Cancelled during the year	-	-	$1.22	(4,970,220)
Granted during the year	$0.35	565,363	$0.64	4,995,789
Forfeited during the year	$0.64	(1,972,347)	$0.65	(581,836)
Exercised during the year	-	-	-	-
As at December 31	$0.58	3,006,969	$0.64	4,413,953
Vested and exercisable at December 31	$0.61	2,713,938	$0.63	4,086,372

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, 2022	December 31, 2021
Apr 2021	Apr 2026	$0.48-$0.65	2,528,581	4,397,169
Aug 2021	Apr 2026	$0.65	0	16,784
Feb 2022	Feb 2027	$0.35	478,388	-
Total			**3,006,969**	**4,413,953**
Weighted average remaining contractual life of options outstanding at end of period (in years)			3.84	3.95

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:

	2022	2021
Risk-free interest rate	1.80%	0.27-0.95%
Expected Volatility	100%	98%-100%
Expected Dividends	$nil	$nil
Exercise Price	$0.35	$0.48-$0.65
Expected Life	5 years	1-5 years
Share price, per option	$0.36	$0.35-$0.42

During the year ended December 31, 2022, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of $66,429 (2021 - $1,018,058).

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

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.

13. 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.

14. Leases

Short Term Leases

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

Long Term Leases

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

On July 15, 2021, the Company signed a long-term lease for its office space in Brooklyn, New York for a term of 5 years and monthly lease payment of $12,044 (US$9,500) increasing up to $15,297 (US$11,294) over lease term.

All the long-term leases were recorded as right-of-use asset for $641,291 (2021 - $600,287) and a corresponding lease liability of $641,291 (2021 - $600,287) was recorded.

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

		December 31, 2022	December 31, 2021
Right of use assets			
Opening right of-use asset	$	1,415,798	1,234,892
New leases		-	607,305
Termination of lease		-	(426,399)
Foreign exchange		41,004	-
Closing right of use asset		1,456,802	1,415,798

		December 31, 2022		December 31, 2021
Accumulated depreciation				
Opening accumulated depreciation	$	(266,423)		(479,415)
Depreciation for the period		(282,569)		(212,795)
Termination of lease		-		426,399
Foreign exchange		(8,670)		(611)
Closing accumulated depreciation		(557,661)		(266,423)
Right of use assets, net		899,141		1,149,375

Lease liabilities				
Opening Lease Liability	$	1,236,773	$	776,867
Accretion/payment during the year		89,840		77,636
Principal payments		(318,258)		(224,936)
New leases		-		607,305
Foreign exchange		34,025		(99)
Closing lease liabilities		1,042,380		1,236,773

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

	Total
Contractual payments	1,177,791
Less: Amount attributable to interest	(135,411)
Liability at the end of year	1,042,380
Current liability	293,357
Non-current liability	749,022
Total	1,042,380

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 8%.
Right-of-use assets are amortized over the expected average lease term of 5 years (2021 – 5 years).

15. Financial risks

Currency risk

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

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

As at December 31, 2022 and 2021, a 5% increase/decrease in the currency rate would increase/decrease the net loss by less than $9,000.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through ongoing review of accounts receivable balances; following up on amounts past due; and management of cash.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The following 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:

					2022
			Payments due		
		Total	less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	$	3,490,896	3,490,896	-	-
Lease liabilities		1,178,736	366,276	705,384	107,076
Advances from related parties		267,333	267,333	-	-
Loans from related parties		1,151,880	1,151,880	-	-
Loan payable		500,000	58,331	199,992	241,677
Convertible debt principal		8,525,000	1,990,000	6,535,000	-
Convertible debt interest payments		1,404,665	201,500	1,203,165	-
		16,518,510	**7,526,216**	**8,643,541**	**348,753**

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, 2022 and 2021, the trade and other receivables were within normal repayment terms and the Company had recorded expected credit losses as disclosed in Note 7.

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

Interest rate risk

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

16. Convertible debt

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

Debentures	Debt host value	Fair value of warrants	Conversion feature	Total
Balance at January 1, 2021	$ -	$ -	$ -	$ -
Convertible debt issued (net of issuance cost) (ii)	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 22)	-	-	(98,221)	(98,221)
Balance at December 31, 2021	1,525,962	154,472	78,735	1,759,169
Convertible debt issued (net of issuance cost) (i) (iii)	5,048,201	196,048	688,875	5,933,124
Issuance of broker warrants	-	64,086	-	64,086
Interest and accretion expense	905,063	-	-	905,063
Payment of interest	(397,733)	-	-	(397,733)
Amortisation of issuance cost	194,089	-	-	194,089
Recovery of tax on issuance cost (Note 22)	-	(79,777)	(194,112)	(273,889)
Balance at December 31, 2022	**7,275,583**	**334,829**	**573,498**	**8,183,910**
Current	2,050,909	-	-	2,050,909
Non-current	5,224,674	334,829	573,498	6,133,001
Total	**7,275,583**	**334,829**	**573,498**	**8,183,910**

(i) The Company issued the following financial instruments during the fiscal year 2022:

a. On November 25, 2022, the Company issued 2,328 units of $1,000 convertible debentures for the total gross proceeds of $2,328,000. Convertible debentures are accrued at interest rate of 18% payable at maturity and are convertible into common shares at a price of $0.16 per share at the discretion of holder anytime before maturity date of May 25, 2024. As part of commission for financing convertible debentures, the Company issued 115,000 broker warrants having an exercise price of $0.16 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 31% and the remaining transaction price was allocated to conversion feature classified as equity.

b. On July 6, 2022, the Company issued 1,990 units of $1,000 convertible debentures for the total gross proceeds of $1,990,000. Convertible debentures are accrued at interest rate of 18% payable at maturity and are convertible into common shares at a price of $0.15 per share at the discretion of holder anytime before maturity date of July 6, 2023. As part of commission for financing convertible debentures, the Company issued 138,333 broker warrants having an exercise price of $0.15 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 28% and the remaining transaction price was allocated to conversion feature classified as equity.

c. On April 14, 2022, the Company issued 180 units of a financial instrument for the total gross proceeds of $180,000. Each unit provides for $1,000 convertible debt and 1,430 warrants. Convertible debt is accrued at interest rate of 10% payable quarterly and is convertible into common shares at a price of $0.35 per share at the discretion of holder anytime before maturity date of January 27, 2025. Warrants have an exercise price of $0.50 per share and a term of 2 years. As part of commission for financing convertible debt, the Company issued 41,143 broker warrants having an exercise price of $0.35 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 22% and the remaining transaction price was allocated to warrants based on their fair value using the Black Scholes model with the residual being allocated to conversion feature classified as equity. Key assumptions have been listed in the below table.

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

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

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

(ii) 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 is 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 an exercise price of $0.35 per share and a term of 2 years. Fair value of the host debt was calculated using market interest rate of 18.5% and the remaining transaction price was allocated to warrants based on their fair value using the Black Scholes model with the residual being allocated to conversion feature classified as equity. Key assumptions have been listed in below table.

Issuance date	**1-Oct-2021**	**27-Jan-2022**	**18-Mar-2022**	**14-Apr-2022**
Risk-free interest rate	0.50%	1.23%	1.83%	2.35%
Expected volatility	91.10%	90%	90.45%	89.55%
Expected dividends	$nil	$nil	$nil	$nil
Exercise price	$0.35 - $0.50	$0.35 - $0.50	$0.35 - $0.50	$0.35 - $0.50
Expected life	2 years	2 years	2 years	2 years

(iii) During the year ended December 31, 2022, the related party loans with the face value of $1,957,000 ($nil in 2021) were converted to convertible debentures. Refer to Note 19 for details.

17. Supplementary cash flow information

Change in working capital

	2022	2021
Trades and other receivables	$ 226,258	$ 21,610
Prepaid expenses	14,071	46,939
Inventory	(144,124)	(315,398)
Contract Assets	(29,670)	-
Related parties	229,349	(146,743)
Deferred income	129,013	(648,170)
Trade and other payable	1,983,661	(36,939)
Total change in working capital	**$ 2,408,558**	**$ (1,078,701)**

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

18. Loan Payable

In the twelve months ended December 31, 2022, CDX received the remaining $50,000 of its interest-free $500,000 Business Scale Up and Productivity Contribution Agreement with the Federal Economic Development Agency for Southern Ontario. The facility is designed to assist with the Company's scale up in the North American markets, is non-interest bearing with repayments commencing in June 2023 at $8,333 per month ($8,353 in the final month of May 2028).

The Company has recognized $26,774 ($178,650 in 2021) 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, 2022 is $360,423 ($298,223 in 2021) after assuming an discount rate of 20.00% (12.45% in 2021) to calculate the portion attributable to government funding.

19. Related party transactions

During the year ended December 31, 2022, the Company has recorded an expense associated with consulting fees and wages to directors and officers and their wholly owned companies of $155,667 (2021 - $817,000). During the year ended December 31, 2022, the Company incurred director fee expenses of $2,000 (2021 - $51,000).

The advances to/from related parties of $267,333 ($110,385 in 2021), relate to advances to/from certain directors of the Company. These amounts have no fixed repayment terms, are unsecured and are non-interest bearing.

In addition, related party convertible loans were made to the Company in 2022 for $3,145,612 ($nil in 2021). The loans accrue at 5% to 10% per annum interest and are payable on maturity. The loans are convertible, at the option of the holders, into any open TSX approved Secured Convertible Debenture Offering from the Company. The loans were initially recorded at their fair values using effective interest rates, which resulted in a day 1 gain of $191,388 recorded to contributed surplus.

During the year ended December 31, 2022, the loans having the face value of $1,957,000 ($nil in 2021) were converted to Secured Convertible Debentures, and a net loss of $36,036 ($nil in 2021) on extinguishment was recorded, with a balance of related party loans of $1,151,880 outstanding as at December 31, 2022 (Refer to Note 16). On the issuance date, the loans were discounted using market interest rates of 28-31%.

	2022
Cash received for the issuance of loans to related parties	$ 2,983,445
Fair value adjustment on related party loans allocated to contributed surplus	(138,464)
Interest expense	160,361
Accretion of fair value recorded	65,696
Loss on extinguishment	36,036
Related party loans converted to convertible debt	(1,955,194)
Total	**$1,151,880**

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

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:

		2022		2021
Contractor expense for services	$	155,667	$	817,000
Share-based payments expense		10,870		458,127
Directors' fees		2,000		51,000
Total key management compensation		168,536		1,326,127

20. 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, 2022, totalled $11,646,707 (December 31, 2021 - $1,728,020).

21. Revenue from contracts with customers

Disaggregation of Revenues:

		2022	2021
Subscriptions	$	512,654	369,863
Hardware Product Sales		608,977	292,344
Professional Services		42,272	115,090
Other		2,100	5,000
Total revenue		1,166,003	782,297

The Company earns revenue from the following geographical areas:

		2022	2021
Canada	$	987,121	659,319
United States		178,882	122,978
Total revenue		1,166,003	782,297

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

Contract Balances

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

		2022	2021
Accounts receivable	$	86,909	196,709
Deferred income from contracts with customers		(161,989)	(63,343)
Contract asset		28,547	
Net contract balances		(46,533)	133,366

In addition to deferred income from contracts with customers, deferred income from government grants at December 31, 2022 was $202,729 (2021 - $171,238).

22. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 – 26.5%) to the effective tax rate is as follows:

		2022	2021
Net loss before recovery of income taxes	$	(10,890,914)	(11,355,087)
Expected income tax recovery		(2,886,092)	(3,009,098)
Permanent differences		55,936	647,570
Tax rate differential		-	437,128
Impact of change in rates		-	1,083,181
Other		-	(42,668)
Change in unrecognized temporary differences and losses		2,556,267	785,666
Income tax recovery		(273,889)	(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:

		2022	2021
Deferred tax asset	$	443,832	537,713
Deferred tax liability		(443,832)	(364,116)
Net deferred tax asset		-	173,597

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

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

		2022	2021
Deferred Tax Assets			
Non-capital losses carried forward	$	238,186	68,795
Share Issuance Costs		-	173,597
Reserves		-	32,507
Lease liabilities		205,646	262,814
		443,832	537,713
Deferred Tax Liabilities			
Right of use assets		(191,067)	(244,242)
Unrealized gain or loss		(14,579)	(14,579)
Fixed Assets		-	(13,469)
Convertible Debentures		(238,186)	(91,826)
		(443,832)	(364,116)
Net deferred tax asset		**-**	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:

		2022	2021
Non-capital loss carry-forwards	$	39,921,696	29,833,545
Intangibles		560,390	475,231
Share Issuance Costs		1,115,750	379,515
Accrued Liabilities		1,111,401	20,535
Right of Use Assets and Liabilities		75,480	-
Other		380,181	10,403
		43,164,897	30,719,229

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

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

For the years ended December 31, 2022 and 2021 (stated in CAD dollars, unless otherwise stated)

		2022		2021
Fixed Assets	$	167,835	$	104,913
SRED Pool Carry forward		679,257		679,257
SRED Credits		156,838		147,731
Reserves		109,653		152,974
Non-Capital Losses		29,217,856		21,657,313
Lease liability		47,335		42,069
Other		(181,048)		23,927
Total		30,197,726		22,808,184

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	469,604
2035	2,262,149
2036	1,761,196
2037	2,080,064
2038	3,565,679
2039	2,817,192
2040	2,824,514
2041	6,029,536
2042	7,407,922
Total	29,217,856

The SRED expenditures of $679,257 are available to reduce taxable income in Canada, without expiry. The SRED credits of $156,838 are available to offset future Canadian federal tax obligations and commence to expire in 2025.

23. Government assistance and grants

During the year-ended December 31, 2022, the Company received various grants totaling $548,578 (2021 – $517,590).

In 2022, the total of grants received and deferred grant income from prior year recognized as income was $493,962 (2021 - $1,205,085). As at December 31, 2022 the amount of $202,729 (2021 - $234,581) has been deferred for recognition in the future on a consistent basis with recording the related expense.

24. Subsequent events

On January 20, 2023, the Company announced a private placement financing of up to 17,857,142 units of the Corporation (the "Units") at a price of $0.14 per Unit for aggregate gross proceeds of up to $2,500,000 (the "Offering"), and a Concurrent Placement (as defined below) of Units for aggregate gross proceeds of up to $3,000,000 with lead orders from certain directors for 10,442,857 Units ($1,462,000).

Each Unit will be comprised of one common share in the capital of the Corporation (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Common Share at a price of $0.21 per Common Share for a period of three years following the closing date of the Offering, subject to accelerated expiry as described herein.

On March 15, 2023, the Company announced the closing of the first tranche of the private placement (the "Private Placement") of units of the Corporation (the "Units") for aggregate gross proceeds of $2,601,884. In connection with the closing of the first tranche of the Private Placement, investors subscribed for 18,584,878 Units at a price of $0.14 per Unit for aggregate gross proceeds of $2,601,884, including conversion of related party loans payable of $1,277,199 for 9,122,855 Units and $201,000 for 1,435,714 for an asset purchase from Speech Technology and Applied Research Corp. The Common Shares and Warrants comprising the Units will be subject to a four month hold period. Insiders of the Corporation subscribed for 12,942,028 Units for aggregate gross proceeds of $1,811,884. Their participation in the Private Placement constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101").

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