Consolidated Financial Statements of
Cloud DX, Inc.

For the years ended December 31, 2020 and 2019

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 subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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, 2020 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.

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.

MNP LLP

Waterloo, Ontario
April 12, 2021

Chartered Professional Accountants
Licenced Public Accountants

MNP

Cloud DX, Inc.

Consolidated Statements of Financial Position

As at December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

	December 31, 2020	December 31, 2019
Assets		
Current Assets:		
Cash and cash equivalents	$ 500,739	$ 25,141
Trade and other receivables (Note 5)	329,047	279,347
Marketable securities (Note 6)	340,276	194,917
Inventories	439,901	262,843
Prepaid expenses and deposits	243,172	78,983
Contract assets (Note 18)	-	9,034
	1,853,135	850,265
Non-Current Assets:		
Intangible assets (Note 7)	428,004	544,732
Property, plant and equipment and Asset in progress (Note 8)	127,701	18,219
Right of use asset (Note 12)	593,352	72,364
Total Assets	3,002,192	1,485,580
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Trade and other payables	1,232,867	776,240
Deferred income (Notes 18 and 20)	736,379	14,587
Current portion of lease liabilities (Note 12)	108,702	35,520
Advances from related parties (Note 16)	201,379	253,131
Current portion of conversion feature on convertible debt (Note 14)	502,651	-
Current portion of convertible debt (Note 14)	1,483,508	-
Current portion of notes payable (Note 16)	-	473,683
	4,265,486	1,553,161
Non-Current Liabilities:		
Lease liabilities (Note 12)	501,450	-
Conversion feature on convertible debt (Note 14)	426,019	670,204
Convertible debt (Note 14)	1,178,856	666,239
Total liabilities	6,371,811	2,889,604
Shareholders' Deficit:		
Share capital (Note 9)	14,654,165	12,669,153
Deficit	(21,614,646)	(17,278,118)
Share-based payment reserve (Note 10)	3,765,309	3,515,206
Warrant reserve	7,080	-
Accumulated other comprehensive loss	(181,527)	(310,265)
	(3,369,619)	(1,404,024)
Total Liabilities and Shareholders' Deficit	3,002,192	1,485,580

See accompanying notes to consolidated financial statements

On behalf of the Board:

________________________________ Director

________________________________ Director

Cloud DX, Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

	2020	2019
Revenue (Note 18):		
Subscription revenue	$ 224,735	$ 369,706
Product sales	529,662	385,798
Professional services	102,719	201,986
Other	11,192	6,000
	868,308	963,490
Cost of inventories sold	(546,589)	(175,718)
Gross profit	321,719	787,772
Operating expenses:		
Advertising and promotion	(86,812)	(118,370)
Amortization & depreciation	(253,781)	(254,413)
Bad debt expense	(6,413)	(57,926)
Dues and memberships	(218,490)	(79,755)
Insurance	(24,087)	(27,557)
Office and data	(434,098)	(200,612)
Professional fees	(758,143)	(270,940)
Research	(410,746)	(194,514)
Salaries, wages and benefits	(2,665,160)	(2,224,195)
Share-based compensation (Note 10)	(258,103)	(680,708)
Travel	(17,909)	(94,339)
Other general and administrative	(74,927)	(97,258)
	(5,208,669)	(4,300,586)
Operating loss	(4,886,950)	(3,512,814)
Other (expenses)/ income:		
Foreign exchange gain/(loss)	29,846	72,517
Interest expense	(546,315)	(259,521)
Fair value gain (loss) (Note 14)	(70,892)	84,950
Government funding and grant income (Note 20)	1,040,822	132,722
Gain (loss) on marketable securities (Note 6)	96,961	(352,420)
Other income (expense)	-	12,148
	550,422	(309,604)
Loss before income taxes	(4,336,528)	(3,822,418)
Income taxes (Note 19)	-	-
Net loss	(4,336,528)	(3,822,418)
Other comprehensive loss:		
Foreign currency translation, net of income tax of nil	128,738	(133,207)
Comprehensive loss	(4,207,790)	(3,955,625)
Basic and diluted loss per share	(2.31)	(2.60)
Weighted average number of shares outstanding	1,877,702	1,469,726

See accompanying notes to consolidated financial statements.

Cloud DX, Inc.

Consolidated Statements of Changes in Shareholders' Deficit

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

	Number of shareholders' shares	Share capital (Note 9)	Share-based payment reserve (Note 12)	Warrants reserve (Note 12)	Accumulated other comprehensive loss	Deficit	Total
January 1, 2019	**1,414,413**	**10,767,485**	**2,834,498**	–	**(177,058)**	**(13,455,700)**	**(30,775)**
Issue of capital (Note 9)	174,328	1,000,663	–	–	–	–	1,000,663
Conversion of convertible debentures (Note 9)	22,436	691,136	–	–	–	–	691,136
Share-based compensation (Note 9)	9,953	242,181	680,708	–	–	–	922,889
Issuance cost	–	(32,312)	–	–	–	–	(32,312)
Net loss and comprehensive loss for the year	–	–	–	–	(133,207)	(3,822,418)	(3,955,625)
December 31, 2019	**1,621,130**	**12,669,153**	**3,515,206**	–	**(310,265)**	**(17,278,118)**	**(1,404,024)**
Issue of capital (Note 9)	236,198	1,181,101	–	–	–	–	1,181,101
Conversion of convertible debentures (Note 9)	101,181	809,500	–	–	–	–	809,500
Share-based compensation (Note 10)	4,000	8,000	250,103	–	–	–	258,103
Issuance cost	–	(13,589)	–	7,080	–	–	(6,509)
Net loss and comprehensive loss for the year	–	–	–	–	128,738	(4,336,528)	(4,207,790)
December 31, 2020	**1,962,509**	**14,654,165**	**3,765,309**	**7,080**	**(181,527)**	**(21,614,646)**	**(3,369,619)**

See accompanying notes to consolidated financial statements.

Cloud DX, Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

	2020	2019
Cash flows used in operating activities:		
Net loss before tax	$ (4,336,528)	$ (3,822,418)
Items not affecting cash:		
Depreciation of property, plant and equipment	137,053	137,807
Amortization of intangible assets	116,728	116,728
Non-cash write-offs	48,215	
Realized (gain) loss from disposal of marketable securities	(28,463)	29,591
Unrealized (gain) loss on revaluation of marketable securities	(68,498)	322,829
Bad debt expense	6,413	57,926
Consulting expense settled by issuance of shares, convertible debt or options	153,581	143,800
Fair value gain (Note 14)	70,892	(84,950)
Unrealized foreign exchange (gain) loss	103,368	(72,517)
Interest expense on lease liabilities	16,119	7,565
Share-based compensation expense	258,103	680,708
Non-cash increase in marketable securities (Note 6)	(51,581)	(559,578)
Changes in working capital (Note 15)	478,026	153,351
Interest expense in financing activities	463,377	132,452
Cash generated used in operating activities	**(2,633,195)**	**(2,756,706)**
Cash flows generated from (used in) investing activities:		
Proceeds from disposal of marketable securities (Note 6)	193,033	12,241
Purchase of property, plant and equipment (Note 8)	(80,826)	(1,347)
Cash generated from investing activities	**112,207**	**10,894**
Cash flows generated from financing activities:		
Proceeds from the issuance of common shares (Note 9)	664,500	298,302
Proceeds from issuance of convertible debt, net of issuance costs (Note 14)	2,379,558	1,903,496
Payment for lease obligation (Note 12)	(61,106)	(162,816)
Cash generated from financing activities	**2,982,952**	**2,741,343**
Decrease in cash and cash equivalents	461,964	(4,469)
Effect of exchange rates on cash and cash equivalents	13,634	(4,580)
Cash and cash equivalents, beginning of the year	25,141	34,190
Cash and cash equivalents, end of the year	**500,739**	**25,141**
Cash	500,739	25,141
Cash equivalents	-	-

Supplemental cashflow information:		
Non-cash convertible debt issuance costs	97,904	35,125

See accompanying notes to consolidated financial statements.

1.Nature of operations

These consolidated financial statements include the following companies: Cloud Diagnostics Canada ULC and Cloud DX, Inc. (together the "Company"). Cloud Diagnostics Canada ULC was incorporated under the laws of the Province of British Columbia on September 14, 2014. Cloud DX, Inc. was incorporated in the State of Delaware on September 11, 2014.

The Company provides remote patient monitoring hardware and software. The registered head office address is 834-20 Jay Street, Brooklyn, New York, 11201.

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, 2020, the Company had a deficit of $21,614,646 (2019 - $17,278,118), including a net loss of $4,336,528 and negative operating cashflow of $2,633,195 for the year ended December 31, 2020 (2019 – net loss of $3,822,418 and negative operating cashflow of $2,756,706).

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

3. Significant accounting policies

Statements of compliance
The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on April 12, 2021.

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.

These consolidated financial statements are presented In US dollars, which is the Company's functional currency.

Basis of consolidation
The Company's consolidated financial statements include the accounts of Cloud DX, Inc and its wholly owned subsidiary, Cloud Diagnostics Canada ULC (together the "Company").

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

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

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

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:

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

Product sales:

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

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

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

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

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

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 Diagnostics ULC, which has a Canadian functional currency consistent with the primary economic environment, is translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income (loss) and accumulated in Accumulated other comprehensive loss.

Property and equipment
Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses, if any. The initial cost includes the purchase price and any expenditures directly attributable to ready the asset for use. Gains and losses on the disposal of property and equipment represents the difference between the proceeds received, if any, on disposal of the asset and it's carrying amount. Any resulting gain or loss is recognized in the consolidated statements of loss and comprehensive loss.

Depreciation is charged using the following methods and rates:

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

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 no cash equivalents at December 31, 2020 or 2019.

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 10. 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.

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
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Investments	FVTPL
Derivative financial liabilities (conversion feature)	FVTPL
Notes payable	Amortized cost
Convertible debt host	Amortized cost

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

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

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 5.

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, 2020 and 2019, the Company has incurred a net loss; therefore, the convertible debentures, warrants and share options are all anti-dilutive.

4. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the following:

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

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

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

Fair value of derivative financial instruments
The Company uses a Black Scholes model to estimate the fair value of derivative financial instruments, which consists of a conversion feature to convert the instrument into common shares. Measurement inputs include expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, the risk-free interest rate (based on government bonds) and probabilities of certain events occurring as disclosed in Note 14. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of derivative liabilities. The fair value reported may not represent the transaction value if these instruments were exchanged at any point in time.

Share-based payments
The Company uses the Black-Scholes option pricing model to estimate the fair value of shared-based compensation which require the use of several input variables. Measurement inputs include share price on measurement date,

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

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, 2020 and 2019. 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 5.

COVID-19 pandemic

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

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

5. Trade and other receivables

	December 31 2020	December 31 2019
Trade receivables	276,865	265,653
Harmonized Sales tax receivable	58,688	53,829
Less expected credit losses	(6,506)	(40,135)
	329,047	279,347

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.

As at December 31, 2020, the Company has recorded $6,506 of expected credit losses which are recorded net of the related accounts receivable (December 31, 2019 – $40,135).

6. Marketable securities

In conjunction with a revenue contract with a customer during 2019, a portion of the consideration included 458,349 shares valued at $559,578 of the related customer. The share value was determined based on the publicly traded price, less a 25% discount attributed to a six month hold restriction. The discount due to lack of marketability was determined using the Finnerty option pricing model with the following significant estimates – 191% volatility, expected life of six months, risk free rate of 2.47% and expected dividends of nil. During 2020, the customer settled its remaining outstanding accounts plus a contract amendment penalty clause for consideration of a further 965,578 shares valued at $241,430 which was applied against outstanding accounts receivable with the remaining $51,581 recognized in income. The share value was determined based on the publicly traded share price less a 21.8% discount attributed to a six month hold restriction. The discount due to lack of marketability was determined using the Finnerty option pricing model using estimated volatility of 150%, a six month expected life, a 0.65% risk free rate and nil expected dividends.

During the year ended December 31, 2020, the Company sold 588,549 shares (2019 - 25,200) generating net proceeds of $193,033 (2019 - $12,241). During the year ended December 31, 2020, an unrealized gain of $68,498 (2019 – loss of $322,829) and a realized gain of $28,463 (2019 - loss of $29,591) was recorded as a gain/(loss) on marketable securities on the consolidated statement of loss and comprehensive loss.

7. 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:

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

		Intellectual Property
Cost		
Balance at December 31, 2019 and December 31, 2020	$	1,167,282
Accumulated amortization and impairment		
Balance at January 1, 2019	$	(505,822)
Amortization		(116,728)
Balance at December 31, 2019	$	(622,550)
Amortization		(116,728)
Balance at December 31, 2020	$	(739,278)
Carrying amounts		
Balance at December 31, 2019	$	544,732
Balance at December 31, 2020	$	428,004

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

8. Property, plant and equipment and Asset in Progress

a) Property, plant and equipment:

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

	Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Total Value
Cost					
Balance at January 1, 2019	$ 24,208	$ 14,276	$ 7,152	$ 15,500	$ 61,137
Additions	1,347	–	–	–	1,347
Disposals	–	–	–	–	–
Foreign exchange	1,104	604	360	253	2,321
Balance at December 31, 2019	26,659	14,880	7,512	15,753	64,805
Additions	24,236	3,823	–	57,684	85,743
Disposals	–	–	–	–	–
Foreign exchange	717	367	151	52	1,287
Balance at December 31, 2020	**51,612**	**19,070**	**7,663**	**73,489**	**151,835**

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

	Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Total Value
Accumulated depreciation					
Balance at January 1, 2019	$ 13,426	$ 4,119	$ 7,151	$ 10,826	$ 35,523
Amortization	6,458	2,083	–	1,432	9,963
Foreign exchange	518	119	360	94	1,121
Balance at December 31, 2019	20,402	6,320	7,511	12,342	46,575
Amortization	15,945	6,251	–	4,683	26,879
Foreign exchange	851	436	152	188	1,627
Balance at December 31, 2020	**37,198**	**13,007**	**7,663**	**17,213**	**75,081**
Carrying amounts					
Balance at December 31, 2019	**6,279**	**8,559**	**–**	**3,411**	**18,219**
Balance at December 31, 2020	**14,415**	**7,539**	**–**	**56,277**	**76,754**

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

	December 31 2020	December 31 2019
Property and equipment, net		
Canada	$ 74,893	$ 15,686
United States of America	$ 1,861	$ 2,533
Total property and equipment, net	76,754	18,219

b) Asset in progress:

In association with entering a new lease in 2020, the landlord agreed to reimburse leasehold improvements to a maximum of USD$134,676 (CAD$175,000) when renovations have been completed and if Cloud DX's claims meet certain conditions. As at December 31, 2020 not all the conditions to receive the reimbursement were met therefore the Company recorded the total construction value incurred of $50,947 (CAD$64,867) as Asset in Progress. After the construction is finalized, the Asset in Progress will be reduced by the reimbursement received and the remaining balance will be reclassified to Property, plant and equipment as a Leasehold improvement.

9. Share capital

Authorized and issued

The Company's authorized share capital consists of 10,000,000 of common shares with $0.0001 par value per share.

During the year ended December 31, 2020, the Company issued 132,900 (2019 - 174,328) common shares for aggregate cash proceeds of $664,500 (2019 - $1,000,663), issued 101,181 (2019 - 22,436) shares on conversion of convertible debentures along with the accrued interest, issued 97,505 (2019 – nil) shares upon conversion of notes payable, issued 4,000 shares upon exercise of options (2019 – nil) and issued 5,793 shares in kind (2018 – 9,953) upon provision of consulting services. The value of shares issued to consultants have been recorded leveraging the most recent equity transaction of the Company.

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

	Number of Shares		Total Value
Balance at January 1, 2018	1,414,413	$	10,767,485
Shares issued for:			
Cash	174,328	$	1,000,663
Conversion of convertible debentures	22,436	$	691,136
In kind for consulting services	9,953	$	242,180
Issuance costs	–	$	(32,312)
Balance at December 31, 2019	1,621,130	$	12,669,152
Cash	132,900	$	664,500
Conversion of convertible debentures	101,181	$	809,500
Conversion of notes payable	97,505	$	487,525
In kind for consulting services	5,793	$	28,964
Option exercise	4,000	$	8,000
Issuance costs	–	$	(13,476)
Balance at December 31, 2020	1,962,509	$	14,654,165

10. Share-based payments

The Company has two Share-based compensation plans: the “Incentive Share Option Plan” and the “Non-Qualified Share Option Plan”. The maximum number of shares reserved and available for issuance under the plans is 300,000 shares. For purposes of this limitation, the shares underlying any awards which are forfeited, canceled, reacquired by the Company, satisfied without the issuance of share or otherwise terminated (other than by exercise) are added back to the authorized share number under the plans. All options are exercisable at the exercise price of each option, as determined on the grant date. Each share option expires on the date that is generally the earlier of 5 years from the date of grant or such earlier date as may be set out in the participant’s award agreement.

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.

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

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

In 2019, the Company awarded employees 31,500 share options. Of these share options, 25,000 shares have a vesting term of 25% after 2 months, 33% after 11 months and 42% one year thereafter. 25% of the residual options vest 6 months from grant date and 75% vest at the end of each of the sixth month period ended thereafter on a proportionate basis up to 1.5 years. All options expire on the 5th anniversary from the date of grant. 8,500 shares were forfeited during 2019 due to employee departures.

The following is a summary of the Incentive Share Options for the years ended December 31, 2020 and 2019.
Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	2020		2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at January 1	$26.30	49,500	$20.00	26,500
Granted during the year	$20.00	36,000	$30.80	31,500
Forfeited during the year	–	–	$28.00	(8,500)
Expired during the year	–	–	–	–
As at December 31	$23.65	85,500	$26.30	49,500
Vested and exercisable at December 31	$23.86	47,625	$26.30	21,165

			Share options	
Grant date	Expiry date	Exercise price	December 31, 2020	December 31, 2019
Nov 2015	Oct 2020*	$20	14,000	14,000
Apr-Nov 2016	Mar -Nov 2021	$20	3,000	3,000
Aug 2017	Jul 2022	$20	2,000	2,000
Jan – Aug 2018	Aug 2022 – Feb 2023	$20-$28	4,000	4,500
Feb – Dec 2019	Jan – Nov 2024	$29-$33	26,500	26,500
Jan – Dec 2020	Jan – Dec 2025	$20	36,000	–
Total			85,500	49,000
Weighted average remaining contractual life of options outstanding at end of period (in years)			3.2	3.1

* Extended to March 2021 in 2020

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

Non-qualified Share Option Plan

On January 1, 2015, the directors of the Company authorized the establishment of the “Non-qualified Share Option Plan”. Non-Qualified Share Options are granted to external consultants (whether individuals or entities) as part of the consideration for services rendered. All Share Options that are not designated as Incentive Share Options or do not qualify as Incentive Share Options are deemed Non-Qualified Share Options.

In 2020, the Company awarded external consultants 5,000 share options which vest 20% on grant and 20% at the end of each sixth month period ended thereafter. No non-qualified share options were issued in 2019.

The following is a summary of the non-qualified share options for the years ended December 31, 2020 and 2019.

	2020		2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As January 1	$19.90	169,600	$19.90	273,450
Granted during the year	$20.00	5,000	–	–
Exercised during the year	$2.00	(4,000)	–	–
Forfeited during the year	$20.00	(34,000)	$2.00	(27,600)
Expired during the year	–	–	$20.00	(76,250)
As at December 31	$20.75	136,600	$20.18	169,600
Vested and exercisable at December 31	$21.22	132,600	$19.90	148,431

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

			Share options	
Grant date	Expiry date	Exercise price	December 31, 2020	December 31, 2019
Dec 2016	Nov 2021	$20	5,000	10,000
Jan – Jul 2017	Jan 2022	$20	–	29,000
Feb 2018 – Dec 2019	Jan 2021 – Nov 2023	$20	126,600	130,600
Nov 2020	Oct 2025	$20	5,000	–
Total			136,600	169,600
Weighted average remaining contractual life of options outstanding at end of period (in years)			2.4	2.8

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

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:

	2020	2019
Incentive Share Options		
Risk-free interest rate	0.22-1.67%	1.28 -2.73%
Expected Volatility	110-112%	90-100%
Expected Dividends	$nil	$nil
Exercise Price	$20	$20-$31
Expected Life	5 years	5 years
Share price, per option	$7.29-$8.00	$1.95 - $15.05

	2020	2019
Non-Qualified Share Options		
Risk-free interest rate	0.38%	1 – 2.96%
Expected Volatility	110%	90-100%
Expected Dividends	$nil	$nil
Exercise Price	$20	$20
Expected Life	5 years	5 years
Share price, per option	$7.29	$4.25-$15.06

The Company has estimated the share price on each grant date by leveraging on the most recent equity transaction.

During the year ended December 31, 2020, the Company incurred share-based payment expenses to employees and directors of the Company in the amount of $258,103 (2019 - $680,708) in relation to its share option programs.

The summary of share-based compensation expense is as follows:

	December 31 2020	December 31 2019
Incentive Share Option Plan	$ 203,914	$ 241,527
Non-qualified Share Option Plan	54,189	439,181
Share-based compensation expense	258,103	680,708

The Company observed similar public companies 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.

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

11. 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.

12. Leases

Short Term Leases

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

On June 28, 2018, the Company signed a short-term lease for an office space in Los Angeles, CA, with the intention to utilize the office space for less than 12 months. The amount of rent expensed was nil (2019 - $28,070) and was recorded as an office expense in the statement of loss and comprehensive loss.

On October 9, 2020, the Company signed a short-term lease for its office space in Brooklyn NY after its long term lease had expired. The amount of rent expensed under the terms of the new lease was $9,953 and was recorded as an office expense in the statement of loss and comprehensive loss in addition to the expenditures associated with the right of use lease below that preceded this short term contract.

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

		December 31 2020		December 31 2019
Right of use assets				
Opening right of-use asset	$	331,007	$	321,752
New leases		618,883		–
Foreign exchange		19,994		9,255
Closing right of use asset		969,884		331,007
Accumulated depreciation				
Opening accumulated depreciation	$	(258,643)	$	(125,956)
Depreciation for the year		(110,291)		(127,844)
Foreign exchange		(7,598)		(4,843)
Closing accumulated depreciation		(376,532)		(258,643)
Right of use assets, net		593,352		72,364

Lease liabilities				
Opening Lease Liability	$	35,520	$	163,070
Accretion/payment during the year		16,119		7,565
Principal payments		(61,106)		(140,124)
New leases		605,316		–
Foreign exchange		14,303		5,009
Closing lease liabilities		610,152		35,520

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

	Total
Contractual payments	730,215
Less: Amount attributable to interest	(120,064)
Less: Security deposit	(13,920)
Foreign exchange	13,921
Liability at the end of year	610,152
Current liability	108,702
Non-current liability	501,450
Total	610,152

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

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

13. Financial risks

Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company has revenue and purchases that are denominated in a currency other than the functional currency of the Company, being the US dollar. These transactions are primarily denominated in Canadian dollars. The Company does not currently enter into forward contracts to mitigate this risk. There have been no changes in the risk exposure from fiscal 2018.

As at December 31, 2020, a 5% increase/decrease in the USD/CAD currency rate would increase/decrease the net loss by $104,173 (2019 - $3,796).

Liquidity risk

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

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

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:

				2020
			Payments due	
	Total	Less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	$ 1,232,867	$ 1,232,867	$ –	$ –
Lease liabilities	610,152	108,702	396,111	105,339
Convertible debt principal	3,250,529	1,771,021	1,479,508	–
Convertible debt interest payments	607,022	328,871	278,152	–
Total	**5,700,570**	**3,441,461**	**2,153,771**	**105,339**

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, 2020, the trade and other receivables were within normal repayment terms and the Company had recorded expected credit losses as disclosed in Note 5.

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

14. Derivative financial instruments and convertible notes

During 2019 and 2018, the Company issued unsecured convertible debentures, for aggregate proceeds of $1,647,841 bearing interest at prime + 4%, to certain investors of the Company. The convertible debt was convertible to common shares at the option of the holder, at any time prior to the earlier of the maturity date of June 30, 2023 or the redemption date, at the conversion prices as follows:

First conversion period right: began on the date of purchase and ends November 30, 2018 whereby the conversion price was $28 per common share.

Second conversion period right: began immediately following the expiry of the first conversion period and ended January 10, 2019 whereby the conversion price was $29 per common share.

Third conversion period right: began immediately following the expiry of the second conversion period and ended February 15, 2019 whereby the conversion price was $31 per common share.

Fourth conversion period right: began immediately following the expiry of the third conversion period and ended March 30, 2019 whereby the conversion price was $33 per common share.

Fifth conversion period right: began immediately following the expiry of the fourth conversion period and ended June 15, 2019 whereby the conversion price was $35 per common share.

Sixth conversion period right: began immediately following the expiry of the fifth conversion period and ended July 21, 2019 whereby the conversion price was $38 per common share.

Seventh conversion period right: began immediately following the expiry of the sixth conversion period and ends on June 30, 2023 whereby the conversion price is equal to the lower of (i) valuation cap price of $90 million; and (ii) price per share paid by investors at the end of the last equity financing transaction.

Maturity date conversion: applicable only if the notes remain outstanding on the maturity date. The holders have the right to either (a) convert any or all remaining principal and accrued but unpaid interest into fully paid and non assessable common shares at a conversion price equal to the lower of (i) valuation cap price of $90 million; and (ii) price per share paid by investors in the last equity financing transaction; or (b) have all principal and accrued but unpaid interest paid in full.

The convertible debt automatically converts into common shares in a qualifying transaction, defined as an equity raise of aggregate gross proceeds of not less than $5 million, excluding the conversion of convertible debt. The automatic conversion price is the lower of the valuation cap as noted above and a 75% discount of the price paid by the cash investors in the qualifying transaction. All convertible debt is secured by a general security agreement and a guarantee from Cloud Diagnostics Canada ULC.

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

Inputs for measurement of issuance date fair values

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

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

	Issuance date 2019	**Revaluation date – December 31, 2019**	**Issuance date 2020**	**Revaluation date – December 31, 2020**
Risk-free interest rate	1.61%- 2.53%	1.64%	0.11%- 0.20%	0.11%%
Expected Volatility	90% - 95%	90%	90% - 100%	100%
Share price	$5 - $18.4	$5	$8 - $18.4	$8.80
Expected life	3.8 - 4.3 years	3.5 years	1.5 years	0.75 - 1.42 years
Expected dividends	$0	$0	$0	$0
Qualified financing date	Dec 31, 2020- Dec 31, 2021	Dec 31, 2020- Dec 31, 2021	Dec 31, 2020- Mar 31, 2021	March 31, 2021
Probability of qualified financing	10% - 25%	10% - 25%	80% - 85%	85%

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

Terminated Debentures	Debt host value	Derivative liability	Total
Balance at January 1, 2019	$ 28,055	$ $39,098	$ 67,153
Interest and accretion expense	89,587	–	89,587
Fair value adjustments	–	(84,950)	(84,950)
Convertible debt issued in cash (net of issuance costs)	942,545	980,931	1,923,476
Debentures converted into common shares	(393,948)	(264,875)	(658,823)
Balance at December 31, 2019	666,239	670,204	1,336,443
Converted into new debentures	(461,838)	(161,725)	(623,563)
Interest and accretion expense	81,392	–	81,392
Fair value adjustments including termination loss	–	2,220	2,220
Converted into common shares net of associated issuance costs	(285,793)	(510,699)	(796,492)
Balance at December 31, 2020	–	–	–

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

2020 Debentures	Debt host value	Derivative liability	Total
Balance at January 1, 2019	$ –	$ –	$ –
Convertible debt from terminated debenture	461,838	161,725	623,563
Interest and accretion expense	369,520	–	369,520
Fair value adjustments	–	68,672	68,672
New debt issued net of issuance costs	1,831,006	698,273	2,529,279
Balance at December 31, 2020	2,662,364	928,670	3,591,034
Current liability	1,438,508	502,651	1,986,159
Non-current liability	1,178,856	426,019	1,604,875
Total	**2,662,364**	**928,670**	**3,591,034**

15. Supplementary cash flow information

Change in working capital

	2020	2019
Trade and other receivables	(226,402)	(188,453)
Prepaid expenses and deposits	(135,227)	(60,030)
Inventory	(213,945)	128,981
Trade payables and accrued liabilities	423,217	192,069
Deferred income	685,488	13,583
Advances to related parties	(55,105)	67,201
Total change in working capital	478,026	153,351

16. Related party transactions

During the year ended December 31, 2020, the Company has recorded an expense associated with consulting fees to directors and their wholly owned companies of $390,151 $ (2019 - $306,480). Also, during the year ended December 31, 2020, the Company has recorded an expense associated with consulting fees to an entity controlled by an officer of the Company of $75,922 (2019 – 67,080).

The notes payable on the statements of financial position, represent notes due to a company controlled by a director of the Company. During 2015, the Company issued a promissory note in the amount of $570,168 (CAD$685,000) bearing interest at prime + 2%. The note maturity was September 15, 2019 and the note was secured against the assets of the Company. At December 31, 2020 the carrying value of the note payable was nil (2019- $398,660). On March 27, 2020, the note, accrued interest and forbearance fee was converted into common shares of the Company at the conversion price of $5 per share.

Interest associated with the above notes payable totalled $17,209 during 2020 (2019 – $38,423).

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

The advances to/from related parties, relate to advances to/from certain directors of the Company. These amounts have no fixed repayment terms, are unsecured and are non-interest bearing.

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

		2020		2019
Contractor expense for services and wages	$	574,782	$	306,480
Share-based payments expense		115,234		281,234
Total key management compensation		690,016		587,714

17. Management of capital

The Company's capital management objectives are to safeguard 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, 2020, totalled $3,369,619 (December 31, 2019 - $1,404,024).

18. Revenue from contracts with customers

Disaggregation of Revenues:

		2020		2019
Subscriptions	$	224,735	$	369,706
Hardware Product Sales		529,662		385,798
Professional Services		102,719		201,986
Other		11,192		6,000
Total revenue		868,308		963,490

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

The Company earns revenue from the following geographical areas:

		2020		2019
Canada	$	737,165	$	141,794
United States		131,143		821,125
Total revenue		868,308		963,490

Contract Balances

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

		2020		2019
Accounts receivable	$	276,865	$	265,653
Unbilled revenue		-		9,034
Deferred income from contracts with customers		(18,891)		(14,587)
Net contract balances		257,974		260,100

In addition to deferred income from contracts with customers, deferred income from government grants at December 31, 2020 was $717,488 (2019 - $0).

A reconciliation of the beginning and ending carrying amounts of contract balances is as follows:

		2020		2019
Opening balance, contract balances	**$**	260,100	$	29,717
Revenue earned during the year		868,308		963,490
Billings collected in the year		(870,434)		(733,107)
Net contract balances, end of year		257,974		260,100

Revenue recognized in 2020 and included in deferred revenue at December 31, 2019 was $12,308 (2019- $1,762).

During 2020, the Company had three customers representing 20%, 15% and 14% of revenues (2019 – one customer representing 77%)

19. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 21.3% (2018 – 21.3%) to the effective tax rate is as follows:

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

	2020	2019
Net loss before recovery of income taxes	$ (4,071,718)	$ (3,822,418)
Expected income tax recovery	(1,064,143)	(814,024)
Permanent differences	115,331	155,587
Changes in unrecognized benefits	945,345	654,586
Impact of change in rates	-	–
Other	3,468	3,851
Income tax (recovery) expense	–	–

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:

	2020	2019
Deferred tax asset	$ 234,954	$ 35,010
Deferred tax liability	(234,954)	(35,010)
Net deferred tax asset/(liability)	–	–

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

	2020	2019
Deferred Tax Assets		
Lease liabilities	$ 159,463	7,564
Non-capital losses carried forward	75,491	27,446
	234,954	35,010
Deferred Tax Liabilities		
Right of use assets	(155,073)	(15,411)
Property, plant and equipment	(19,575)	(3,779)
Convertible debt	-	(11,320)
Unrealized foreign exchange losses	(60,306)	(4,500)
	(234,954)	(35,010)
Net deferred tax asset/(liability)	-	-

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:

For the years ended December 31, 2020 and 2019 (stated in US dollars, unless otherwise stated)

		2020		2019
Long-lived assets	$	335,938	$	276,373
Liabilities		118,257		95,285
Unrealized gains/losses		-		322,829
Convertible Debentures		264,791		-
Non-capital losses carried forward		16,685,762		13,130,665
Other		10,402		7,869
		17,415,150		13,833,021

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 flow through entity 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 a deferred tax asset which has not been recognized, with respect to Canada: Long-lived assets $44,570 (2019 - $16,802), Scientific Research & Development ("SRED") pool carry forward $439,526 (2019 - $417,139), SRED tax credits $109,336 (2019 - $101,792), non-capital losses of $12,349,516 (2019 – 9,976,412), deferred financing fees $9,058 (2019 – nil), lease liability $16,800 (2019 – nil) and other $11,112 (2019 - $7,869).

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	$	368,827
2035		1,776,692
2036		1,383,243
2037		1,633,682
2038		2,800,484
2039		2,295,404
2040		2,098,453
		12,356,785

The SRED expenditures of $439,526 are available to reduce taxable income in Canada, without expiry. The SRED credits of $109,336 are available to offset future Canadian federal tax obligations and commence to expire in 2025.

20. Government assistance and grants

During the year-ended December 31, 2020, the Company received various grants totalling $1,758,309 (2019 – $132,722) of which $1,040,821 has been recognized in income in 2020 and $717,488 has been deferred for recognition in 2021 when projects complete.

21. Subsequent events

The Company closed its Convertible note offering in January 2021 after raising a further $223,925 in proceeds. The terms are consistent with the debentures issued in 2020 as disclosed in Note 14.

On January 7, 2021, the Company received its first advance of its Business Scale Up and Productivity Contribution Agreement with the Federal Economic Development Agency for Southern Ontario. The facility is for a total of $500,000CAD designed to assist with the Company's scale up in the North American markets. It is non-interest bearing with repayments commencing in June 2023.

On January 19, 2021, Cloud DX, Inc. (the "**Company**") and Roosevelt Capital Group Inc. ("**Roosevelt Capital Group**") announced a brokered private placement offering led by Haywood Securities and Echelon Wealth Partners as Co-Lead Agents, of up to 10,000,000 subscription receipts at a price of $0.50 CAD per subscription receipt, with an agent's option to offer for sale up to 1,500,000 subscription receipts on the same terms and conditions, for aggregate gross proceeds of up to $5,750,000 (the "**Private Placement**"). The subscription receipts entitle the holder thereof to receive one share and one-half of one warrant exercisable at $0.65CAD within 2 years of release from escrow and conversion of the subscription receipts in connection with the Qualifying Transaction described below.

On January 29, 2021, Roosevelt Capital Group and the Company announced the execution of an arrangement agreement (the "**Definitive Agreement**") regarding Roosevelt Capital Group's Qualifying Transaction. Pursuant to the terms of this agreement, Roosevelt Capital Group will acquire the Company through a three cornered amalgamation. The resulting issuer from this transaction will be named Cloud DX Inc. and continue the business of the Company.

Pursuant to a Share Exchange Agreement dated February 26, 2021, a selling majority of the shareholders of the Company approved a share exchange, pursuant to which each shareholder of the Company will exchange each share in the capital of the Company for 22.3783 common shares in the capital of 12632926 Canada Ltd. ("**Cloud Canada**"). The share exchange transaction is the first step of the plan of arrangement as contemplated by the Definitive Agreement and is a required step of the Qualifying Transaction.

On February 26, 2021, Roosevelt Capital Group advanced a secured loan in the amount of $250,000 CAD to the Company. The loan carries interest at a rate of prime plus 5% which accrues and is compounded on a monthly basis. The loan was evidenced by a loan agreement and secured by a general security agreement and is payable on demand on the maturity date, being the closing date or termination of the Qualifying Transaction.

On March 1, 2021, the Cloud Canada received interim court approval of the proposed plan of arrangement.

On March 15, 2021, Roosevelt Capital Group and the Company announced the upsizing of the Private Placement and the closing of the first tranche of the Private Placement for gross proceeds of $5,528,211 CAD.

On March 24, 2021, Cloud Canada held its special meeting of shareholders to consider and vote on the proposed Qualifying Transaction. At the meeting, Cloud Canada shares were voted only on the basis of and in accordance with the instructions received from shareholders of the Company. The plan of arrangement and transactions contemplated thereby were approved at the meeting by over 99% of the votes cast by shareholders of the Company.

On March 25, 2021, Cloud Canada received final court approval of the proposed plan of arrangement.

On March 29, 2021, Roosevelt Capital Group and the Company announced the final closing of the Private Placement for total aggregate gross proceeds of $6,095,000 CAD.