



**CLOUD DX**

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

# **Condensed Interim Consolidated Financial Statements**

**For the Three Months Ended March 31, 2022 and 2021**

**(Unaudited - Expressed in Canadian Dollars)**

**Condensed Interim Consolidated Financial Statements**  
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## **Table of Contents**

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Condensed Interim Consolidated Statement of Financial Position	1
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss	2
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)	3
Condensed Interim Consolidated Statements of Cash Flow	4
Notes to the Condensed Interim Consolidated Financial Statements	5-18

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**Condensed Interim Consolidated Statement of Financial Position**  
**As at March 31, 2022 and December 31, 2021**  
**(Unaudited - Expressed in Canadian dollars)**

	Note	March 31, 2022 \$	December 31, 2021 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		350,310	78,742
Restricted cash	6	60,000	60,000
Trade and other receivables	7	644,975	403,922
Inventories	8	553,934	684,948
Prepaid expenses and deposits		132,366	106,155
		<b>1,741,584</b>	<b>1,333,767</b>
<b>Non-Current Assets</b>			
Intangible assets	9	352,505	394,636
Property, plant and equipment	10	167,623	171,019
Right of use asset	14	1,076,527	1,149,375
Deferred Tax Asset		173,597	173,597
<b>Total Assets</b>		<b>3,511,837</b>	<b>3,222,394</b>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		2,269,840	1,544,491
Deferred income		417,314	234,581
Lease liabilities	14	233,416	233,416
Advances from related parties		93,056	110,385
Current portion of convertible debt	5, 18	363,491	189,259
		<b>3,377,117</b>	<b>2,312,132</b>
<b>Non-current Liabilities</b>			
Lease liabilities	16	938,081	1,003,356
Loan payable	16	521,779	289,223
Convertible debt	18	2,696,040	1,336,703
<b>Total Liabilities</b>		<b>7,553,017</b>	<b>4,950,414</b>
<b>Shareholders' Equity (Deficiency)</b>			
Share capital	11	30,372,045	30,433,684
Deficit		(41,671,649)	(39,558,051)
Share based payment reserve		5,953,009	5,983,136
Warrant reserve		1,349,733	1,349,790
Accumulated other comprehensive loss		(24,318)	(15,314)
Conversion feature on Convertible Debt		-	78,735
		<b>(4,021,180)</b>	<b>(1,728,020)</b>
		<b>3,511,837</b>	<b>3,222,394</b>

Approved on behalf of the Board of Directors on May 30, 2022

 (signed) "*Robert Kaul*"

**Robert Kaul**, Chief Executive Officer and Director

 (signed) "*William Charnetski*"

**William Charnetski**, Director

**Condensed Interim Consolidated Statements of Operations and Comprehensive Loss  
For the Three Months Ended March 31, 2022 and 2021  
(Unaudited - expressed in Canadian dollars)**

	Note	Three Months Ended	
		Mar 31, 2022 \$	Mar 31, 2021 \$
<b>Revenue</b>			
Subscription		86,708	65,758
Product Sales		227,321	140,245
Professional services		23,235	96,841
Other		-	-
		<b>337,263</b>	<b>302,844</b>
Cost of inventories sold		(200,186)	(155,212)
Gross Profit		<b>137,078</b>	<b>147,632</b>
<b>Operating Expenses</b>			
Advertising and promotion		138,602	79,867
Amortization and depreciation		122,126	67,952
Bad debt expense		-	2,930
Dues and memberships		77,397	14,953
Insurance		22,999	11,703
Office		96,183	91,518
Professional fees		441,417	349,815
Research		82,371	70,344
Salaries, wages and benefits		1,377,256	1,137,814
Share based compensation	12	-	48,325
Travel and entertainment		7,498	15
Other general and administrative		-	6,747
		<b>2,365,848</b>	<b>1,881,983</b>
<b>Operating loss</b>		<b>(2,228,771)</b>	<b>(1,734,351)</b>
<b>Other (expenses)/income:</b>			
Foreign exchange gain/(loss)		112	(2,818)
Interest income (expense)		(55,642)	(259,420)
Government funding and grant income		84,991	487,083
Gain on marketable securities		-	171,204
Fair value loss		-	269,861
Listing expense		(5,720)	-
		<b>23,740</b>	<b>665,910</b>
<b>Loss before income taxes</b>		<b>(2,205,031)</b>	<b>(1,068,441)</b>
Income taxes		-	-
<b>Net loss</b>		<b>(2,205,031)</b>	<b>(1,068,441)</b>
Other comprehensive income/(loss)		-	(6,780)
<b>Comprehensive loss</b>		<b>(2,205,031)</b>	<b>(1,075,221)</b>
Basic and diluted weighted average number of shares:		<b>72,094,396</b>	<b>48,925,613</b>
Basic and diluted loss per share:	13	<b>(0.03)</b>	<b>(0.02)</b>

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Transaction of 22.3783 resulting issuer shares for every 1 share of Cloud DX, Inc. See Note 5.

**Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (Deficiency)**  
**For the Three Months ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**

Note	Number of Common Shares	Common Shares \$	Share based reserve \$	Warrant reserve \$	Other Equity \$	Other comprehensive income/(loss) \$	(Deficit) \$	Total Shareholders' Equity (Deficiency) \$
<b>Balance at December 31, 2020</b>	<b>1,962,509</b>	<b>19,082,662</b>	<b>4,913,049</b>	<b>9,512</b>	<b>-</b>	<b>5,558</b>	<b>(28,301,185)</b>	<b>(4,290,404)</b>
Reverse takeover transaction	3,740,415	1,557,823	52,029	19,426				1,629,278
Private placement	12,190,000	4,928,620		1,166,380				6,095,000
Warrant Issuance				154,472				154,472
Conversion of debt	11,826,254	5,467,014						5,467,014
Dissenting shareholder	(674,370)	(283,235)						172,865
Compensation shares and issuance costs	1,094,490	(492,797)						948,897
Deferred tax on issuance costs		173,597			(98,221)			75,376
Stock based compensation			1,018,058		176,956			1,018,058
Net and comprehensive loss for the period	-	-	-	-		20,872	(11,256,866)	(11,277,738)
<b>Balance at December 31, 2021</b>	<b>72,094,396</b>	<b>30,433,684</b>	<b>5,983,136</b>	<b>1,349,790</b>	<b>78,735</b>	<b>(15,314)</b>	<b>(39,558,051)</b>	<b>(1,728,020)</b>
Reverse takeover transaction								
Private placement								
Conversion of debt								
Share exchange								
Issuance costs								
Stock based compensation								
Net and comprehensive loss for the period		(61,639)	(30,127)			(87,788)	(2,113,597)	(2,293,152)
<b>Balance at March 31, 2022</b>	<b>72,094,396</b>	<b>30,372,045</b>	<b>5,953,009</b>	<b>1,349,790</b>	<b>78,735</b>	<b>(103,110)</b>	<b>(41,671,648)</b>	<b>(4,021,180)</b>

**Condensed Interim Consolidated Statements of Cash Flows**  
**For the Three Months ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**

	Note	Three Months Ended	
		Mar 31, 2022 \$	Mar 31, 2021 \$
Cash flows used in operating activities:			
Net loss before tax		(2,205,031)	(1,068,441)
Items not affecting cash:			
Depreciation of property, plant and equipment		73,214	129,472
Amortization of intangible assets	14	36,954	97,453
Realized loss from disposal of marketable securities		-	(605,454)
Unrealized gain on revaluation of marketable securities		-	33,722
Bad debt expense		45	9,785
Fair value loss		-	(899,736)
Fair value adjustment on interest-free loan from FedDev	16	-	(282,396)
Non-Cash Interest Expense		-	39,523
Share-based compensation expense			161,380
Finance costs			789,760
Net foreign exchange difference		(25,469)	(3,891)
Changes in working capital	19	760,509	(73,312)
<b>Cash used in operating activities</b>		<b>(1,359,778)</b>	<b>(1,672,136)</b>
Cash flows generated from (used in) investing activities:			
Proceeds from disposal of marketable securities		-	621,173
Purchase of property, plant and equipment		110,168	(92,988)
<b>Cash generated from (used in) investing activities</b>		<b>110,168</b>	<b>528,185</b>
Cash flows generated from financing activities:			
Proceeds from issuance of convertible debt, net of issuance costs	18	1,297,421	292,158
Payment for lease obligation	14	(65,275)	(51,389)
Loan Proceeds		288,831	497,845
<b>Cash generated from financing activities</b>		<b>1,520,976</b>	<b>738,854</b>
Increase in cash and cash equivalents		271,366	(405,097)
Effect of exchange rates on cash and cash equivalents		-	2,382
Cash and cash equivalents, beginning of the period		78,742	670,151
<b>Cash and cash equivalents, end of the period</b>		<b>350,108</b>	<b>267,436</b>

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**

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**1. Nature of Operations**

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

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

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

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

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

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

**Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2022 and 2021  
(Unaudited - expressed in Canadian dollars)**

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**2. Basis of Presentation**

## a) Going Concern Assumption

These condensed interim 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 March 31, 2022, the Company had a deficit of \$41,671,649 (December 31, 2021 - \$39,558,051), including a net loss of \$2,205,031 for the three months ended March 31, 2022 (March 31, 2021 – \$1,075,221)

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 condensed interim 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.

## a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IFRS") and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and with interpreted by the IFRS Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2021.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on May 30, 2022.

## b) Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for certain financial instruments measured at fair value through profit or loss.

## c) Functional Currency

The Corporation's functional and presentation currency is the Canadian dollar. Transactions undertaken in foreign currencies are translated into Canadian dollars at daily exchange rates prevailing when the transactions occur. Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates and non-monetary items are translated at historical exchange rates. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of operations and comprehensive loss. The assets and liabilities of foreign operations are translated into Canadian dollars using the period-end exchange rates. Income expenses and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations into Canadian dollars are recognized in other comprehensive income/(loss) and accumulated in equity. See Note 23.



**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**


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**2. Basis of Presentation (continued)**

## d) Principles of Consolidation

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

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

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

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

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. All significant intercompany balances, transactions and unrealized gains on transactions between group companies have been eliminated upon consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

**3. Significant Accounting Policies**

The accounting policies and use of estimates and judgements described in Cloud DX, Inc.'s annual consolidated financial statements have been applied consistently to all periods presented in these condensed interim consolidated financial statements unless otherwise indicated. The accounting policies have been applied consistently by all subsidiaries.

**4. Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. The estimates and judgements applied by the Company in these condensed interim consolidated financial statements are the same as those applied in Cloud DX, Inc.'s annual consolidated financial statements for the year ended December 31, 2021 with the exception of the functional currency (see Note 23).

**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.

**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**

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**5. Reverse Takeover (continued)**

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

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

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

The Transaction constituted a Reverse Takeover by way of a three-cornered amalgamation under applicable securities law with CDX as the reverse takeover acquirer and the Company as the reverse takeover acquiree.

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 incurred acquisition costs of \$1,632,349.

**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**


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**6. Restricted Cash**

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

**7. Trade and other receivables**

	March 31, 2022	December 31, 2021
Trade receivables	455,206	196,709
Harmonized Sales Tax receivable	198,058	216,072
Less expected credit losses	(8,754)	(8,859)
<b>Total Trade and other receivables</b>	<b>644,510</b>	<b>403,922</b>

**8. Inventories**

Inventories are comprised of the following:

	March 31, 2022	December 31, 2021
Finished Goods	112,752	266,927
Work in Progress	441,182	418,021
<b>Total Inventories</b>	<b>553,934</b>	<b>684,948</b>

Inventory related to sales recognized as cost of goods sold during the period ended on March 31, 2022 amounted to \$200,186 (2021 - \$196,443).

**9. Intangible Assets**

December 31, 2021	391,430
Additions	-
Less amortization	(36,954)
Foreign exchange	(1,971)
<b>March 31, 2022</b>	<b>352,505</b>

**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**
**10. Property, Plant & Equipment**

December 31, 2021	171,019
Additions	9,610
Less depreciation	(15,337)
Foreign exchange	2,331
<b>March 31, 2022</b>	<b>167,623</b>

**11. Share capital**
**Authorized and issued**

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

	# of shares issued		Total Value
Balance at December 31, 2021	72,094,396	\$	30,260,087
<b>Balance at March 31, 2021</b>	<b>72,094,396</b>		<b>30,260,087</b>

**12. Share-based payments**

During the three months ended March 31, 2022, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of \$nil for the period (2021 - \$109,602) in relation to its share option programs.

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

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

Incentive and Non-qualified options issued at December 31, 2021	4,413,953
Less: Incentive and Non-qualified options cancelled	(390,826)
Add: Options issued less forfeitures	515,363
<b>Issued and outstanding options as at March 31, 2021</b>	<b>4,538,490</b>

**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**


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**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. Any other leases are reported as right of use assets.

**Long Term Leases**

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

	March 31, 2022	December 31, 2021
	\$	\$
<b>Right of use assets</b>		
Opening right of-use asset	1,415,798	1,234,892
New leases	-	607,305
Termination of lease	-	(426,399)
Foreign exchange	(3,741)	-
Closing right of use asset	1,412,057	1,415,798
<b>Accumulated depreciation</b>		
Opening accumulated depreciation	(266,423)	(479,415)
Depreciation for the period	(69,835)	(212,795)
Termination of lease	-	426,399
Foreign exchange	727	(611)
Closing accumulated depreciation	(335,531)	(266,423)
<b>Right of use assets, net</b>	<b>1,076,527</b>	<b>1,149,375</b>

**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**

<b>Lease liabilities</b>		
Opening Lease Liability	1,236,773	776,867
Accretion during the year	18,146	77,636
Principal payments	(65,275)	(224,936)
New leases	-	607,305
Foreign exchange	(18,147)	(99)
Closing lease liabilities	1,171,497	1,236,773
<b>Current portion</b>	233,416	233,416
<b>Non-Current portion</b>	938,081	1,003,356

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.

## 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 Canadian dollar. These transactions are primarily denominated in US 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. A 5% change in the US/CAD exchange rate would result in a change to net loss of \$160,823.

### 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:

**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**

	Contractual payments due			
	Total	Less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	\$ 2,269,840	\$ 2,269,840	\$ –	\$ –
Lease liabilities	1,171,497	233,416	539,015	399,066
Loans Payable	521,779	237,042	71,182	213,555
Convertible Debt	3,059,530	363,491	2,696,039	
<b>Total</b>	<b>7,022,646</b>	<b>3,103,789</b>	<b>3,306,236</b>	<b>612,621</b>

Contractual payments due are inclusive of the imputed interest that is excluded in the carrying amount.

**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 March 31, 2021 the trade and other receivables were within normal repayment terms.

**Interest rate risk**

The Company does not have any non derivative variable interest rate exposure.

**16. Loans Payable**

In the three months ended March 31, 2022, CDX received \$450,000 of its interest free \$500,000 Business Scale Up and Productivity Contribution Agreement with the Federal Economic Development Agency for Southern Ontario. The facility is designed to assist with the Company's scale up in the North American markets, is non-interest bearing with repayments commencing in June 2023. The Company has recognized \$178,650 of government funding as a result of the below market interest rate and is amortizing the balance owing over the repayment period of 7 years. The carrying amount of this loan at March 31, 2022 is \$289,532 after assuming an discount rate of 12.45% to calculate the portion attributable to government funding.

**17. Related party transactions**

During the three months ended March 31, 2022 the Company has recorded an expense associated with consulting fees and wages to directors and officers and their wholly owned companies of \$132,897 (2021 - \$311,894).

There was related party interest of nil for the three months ended March 31, 2022 (2021 – nil).

**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited - expressed in Canadian dollars)**

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 for the three and nine months ended September 30:

	3 months 2022	3 months 2021
Contractor expense for services	\$41,252	\$178,177
Wages	91,645	133,717
Share-based payments expense	-	22,025
Directors' fees	33,000	-
<b>Total key management compensation</b>	<b>\$165,897</b>	<b>\$333,919</b>

**18. Convertible Debt**

During the three months ended March 31, 2022, the Corporation issued 1,555 units (the "Units") of the Corporation at a price of \$1,000 per Unit, for gross proceeds of \$1,555,000 (the "Offering"). Each Unit is comprised of (i) a C\$1,000 principal amount unsecured convertible debenture (each, a "Debenture") and (ii) 1,430 common share purchase warrants of the Corporation (each, a "Warrant"). The Debentures will mature on the date that is 36 months from the date of closing of the Private Placement (the "Maturity Date") and shall bear interest at a simple rate of 10% per annum.

In addition to the Units sold under the Private Placement, the Corporation also issued 20 Units on a non-brokered private placement basis for additional gross proceeds of \$20,000.

**19. Supplementary cash flow information**

Change in working capital For the Three Months ended March 31, 2022 and 2021:

	2022	2021
Trade and other receivables	(240,887)	\$(158,101)
Prepaid expenses and deposits	(28,450)	(158,101)
Inventories	138,569	(458,654)
Contract assets	(2,239)	(23,216)
Accounts payables and accrued liabilities	728,111	1,145,925
Deferred income	182,733	(730,621)
Advances from related parties	(17,329)	103,066
<b>Total change in working capital</b>	<b>760,509</b>	<b>(73,312)</b>



**Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2022 and 2021  
(Unaudited - expressed in Canadian dollars)**

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**20. Change in functional and presentation currency**

As of April 12, 2021, the Company commenced reporting in Canadian dollars and has restated all its comparable figures from previously reported USD. As a result of the Transaction, the parent is now a Canadian entity with shares listed in Canadian dollars on the stock exchange resulting in a Canadian functional currency for the parent. Previously, the parent was domiciled in the United States with US functional currency due to US dollar denominated revenue and expenses. The presentation currency of the consolidated financial statements has also changed from US to Canadian dollars. Historical exchange rates were used for equity components of the statement of financial position, monetary assets were exchanged at the current rate of 1.2516 (2020 - 1.3630) as at the period end and the statement of operations items were translated using an average rate for the period of 1.2741 (2020 - 1.3339).

**21. Subsequent events**

On April 26, 2022, the Company entered into a definitive agreement (the "Loan Agreement") for a \$500,000 revolving loan (the "Loan") with B&M Miller Equity Holdings Inc. and Zacorp Ventures Inc. (the "Lenders"). In accordance with the Loan Agreement, the Loan is for a term of 18 months, and advances made under the Loan will bear interest at a rate of 12% per annum, payable at the end of the term of the Loan. The Loan is secured against the assets of the Corporation and contains certain other customary financial and other covenants. The Loan will be used for general working capital purposes. In addition, the Corporation will pay a standby fee of 2.5% on the unused portion of the Loan calculated on a daily basis as being the difference between: (i) the full Loan amount; and (ii) the aggregate outstanding principal amount under the Loan, which standby fee will be payable on the earlier of: (A) the date of any repayment under the Loan Agreement; and (B) the maturity date.

Each of the Lenders is an insider of the Corporation as: (i) B&M Miller Equity Holdings Inc. is a holding company controlled by Brad Miller, a director of the Corporation and the Corporation's largest shareholder; and (ii) Zacorp Ventures Inc. is a holding company controlled by Constantine Zachos, a director of the Corporation. Accordingly, the Loan Agreement represents a "related party transaction" under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101").