CLOUD DX

Condensed Interim Consolidated Financial Statements of 2024

For the Three and Six Months Ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

CLOUD DX

Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2024 and December 31, 2023 (stated in CAD dollars, unless otherwise stated)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ **525,761**	$ 259,893
Restricted cash (Note 6)	**60,060**	60,060
Trade and other receivables (Note 7)	**383,793**	313,029
Inventories (Note 8)	**168,820**	110,475
Prepaid expenses and deposits	**49,211**	64,137
Contract assets	**-**	27,877
	1,187,645	835,471
Non-current assets		
Intangible assets (Note 9)	**266,152**	334,380
Property, plant and equipment (Note 10)	**39,425**	56,259
Right of use asset (Note 13)	**363,729**	476,185
Inventories (Note 8)	**339,223**	339,223
TOTAL ASSETS	$ **2,196,174**	$ 2,041,518
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Trade and other payables	$ **5,738,626**	$ 4,355,900
Deferred income (Note 20)	**292,541**	249,507
Current portion of lease liabilities (Note 13)	**238,953**	258,938
Advances from related parties (Note 18)	**130,495**	330,925
Loans from related parties (Note 18)	**1,834,699**	23,321
Current portion of loan payable (Note 17)	**276,174**	384,359
Current portion of convertible debt (Note 15)	**10,142,085**	9,185,555
	16,653,573	14,788,505
Non-current liabilities		
Lease liabilities (Note 13)	**190,394**	280,462
Loan payable (Note 17)	**225,008**	246,495
Convertible debt (Note 15)	**5,368,958**	4,536,118
TOTAL LIABILITIES	**24,437,933**	19,851,580
SHAREHOLDERS' DEFICIT		
Share capital (Note 11)	**33,133,008**	33,036,261
Contributed surplus (note 17)	**177,265**	177,265
Deficit	**(65,042,358)**	(60,520,690)
Share-based payment reserve (Note 12)	**6,279,431**	6,269,065
Warrant reserve	**1,565,691**	1,565,691
Conversion feature on convertible debt (Note 14)	**1,643,855**	1,643,855
Accumulated other comprehensive loss	**1,349**	18,491
TOTAL EQUITY	**(22,241,759)**	(17,810,062)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ **2,196,174**	$ 2,041,518

See accompanying notes to consolidated financial statements.
On behalf of the Board:
/s/ Constantine Zachos (Director) and /s/ Michele Middlemore (Director)

CLOUD DX

Consolidated Interim Consolidated Statements of Loss and Comprehensive Loss

For the Three Months ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

	Six Months Ended		Three Months Ended	
	June 30 2024	June 30 2023	**June 30 2024**	June 30 2023
Revenue				
Subscription revenue	**$ 558,305**	$ 428,408	**$ 288,945**	$ 210,740
Product sales	**174,651**	419,743	**88,382**	102,723
Professional services	**476,489**	90,879	**129,565**	58,713
Other	**5**	7,343	**-**	6,191
	1,209,450	946,373	**506,891**	378,367
Cost of inventories sold	**(47,332)**	(255,868)	**(9,386)**	(76,787)
Gross profit	**1,162,118**	690,505	**497,506**	301,580
Operating expenses:				
Advertising and promotion	**(61,010)**	(107,464)	**(30,770)**	(107,464)
Amortization & depreciation	**(215,991)**	(126,338)	**(109,434)**	(126,338)
Dues and memberships	**(153,168)**	(111,449)	**(72,539)**	(111,449)
Insurance	**(107,007)**	(55,334)	**(83,664)**	(55,334)
Office and data	**(336,168)**	(143,651)	**(161,626)**	(143,651)
Professional fees	**(738,686)**	(336,848)	**(351,041)**	(336,848)
Research	**(52,772)**	(18,668)	**(25,525)**	(18,668)
Salaries, wages and benefits	**(2,132,850)**	(1,674,575)	**(1,109,409)**	(1,674,575)
Share-based compensation	**(10,366)**	-	**-**	-
Travel	**(27,126)**	(23,292)	**(3,172)**	(23,292)
Other general and administrative	**(605)**	(1,931)	**(9)**	(1,931)
	(3,835,749)	(2,599,550)	**(1,946,659)**	(2,599,550)
Operating loss	**(2,673,631)**	(2,210,625)	**(1,449,153)**	(2,210,625)
Other (expenses)/ income:				
Foreign exchange loss	**24**	(181)	**(368)**	(181)
Interest expense	**(1,938,832)**	(569,581)	**(911,723)**	(569,581)
Government funding and grant income	**111,333**	80,887	**62,365**	80,887
Transaction fees and listing expense	**(20,562)**	(2,180)	**(2,470)**	(2,180)
	(1,848,037)	(491,055)	**(995,841)**	(491,055)
Loss before income taxes	**(4,521,668)**	(2,701,680)	**(2,301,349)**	(2,701,680)
Income taxes	**-**	-	**-**	-
Net Loss	**(4,521,668)**	(2,701,680)	**(2,301,349)**	(2,701,680)
Other comprehensive income (loss):				
Foreign exchange translation adjustment	**(17,143)**	40,425	**1,870**	40,425
Comprehensive Loss	**(4,538,811)**	(2,661,255)	**(2,303,219)**	(2,661,255)
Basic and diluted loss per share	**$ (0.05)**	$ (0.04)	**$ (0.02)**	$ (0.04)
Weighted average number of shares outstanding	**93,472,400**	75,398,374	**93,472,400**	75,398,374

See accompanying notes to consolidated financial statements.

Consolidated Interim Consolidated Statements of Changes in Shareholders' Deficit

For the Three Months ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

	Number of shareholders shares (Note 10)	Share capital (Note 10)	Share-based payment reserve (Note 11)	Warrants reserve (Note 10 and 14)	Conversion feature (Note 14)	Other Equity	Accumulated other comprehensive loss / (income)	Deficit	Total
January 1, 2023	**72,094,396**	**$ 30,260,087**	**$ 6,049,565**	**$ 1,530,146**	**$ 573,498**	**$ 138,464**	**$ (23,391)**	**$ (50,175,076)**	**$ (11,646,707)**
Private placement	**6,010,258**	**763,287**	**-**	**99,571**	**-**	**-**	**-**	**-**	**862,858**
Contributed surplus	**-**	**-**	**-**	**-**	**-**	**38,801**	**-**	**-**	**38,801**
Conversion of debt	**13,241,731**	**1,811,884**	**-**	**-**	**-**	**-**	**-**	**-**	**1,811,884**
Shares for debt	**340,335**	**35,000**	**-**	**-**	**-**	**-**	**-**	**-**	**35,000**
Issuance cost	**-**	**(36,347)**	**-**	**(64,026)**	**(33,551)**	**-**	**-**	**-**	**(133,924)**
Share-based compensation	**-**	**-**	**219,500**	**-**	**-**	**-**	**-**	**-**	**219,500**
Warrant exercise	**10,000**	**1,350**	**-**	**-**	**-**	**-**	**-**	**-**	**1,350**
Asset purchase	**1,435,714**	**201,000**	**-**	**-**	**-**	**-**	**-**	**-**	**201,000**
Recovery of deferred tax on issuance cost	**-**	**-**	**-**	**-**	**(433,907)**	**-**	**-**	**-**	**(433,907)**
Conversion feature of convertible debt	**-**	**-**	**-**	**-**	**1,537,815**	**-**	**-**	**-**	**1,537,815**
Net loss and comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**41,882**	**(10,345,613)**	**(10,303,731)**
December 31, 2023	**93,132,434**	**33,036,261**	**6,269,065**	**1,565,691**	**1,643,855**	**177,265**	**18,491**	**(60,520,689)**	**(17,810,062)**
Conversion of debt	**339,966**	**96,747**	**-**	**-**	**-**	**-**	**-**	**-**	**96,747**
Share-based compensation	**-**	**-**	**10,366**	**-**	**-**	**-**	**-**	**-**	**10,366**
Net loss and comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(17,142)**	**(4,521,317)**	**(4,538,811)**
June 30, 2024	**93,472,400**	**$ 33,133,008**	**$ 6,279,431**	**$ 1,565,691**	**$ 1,643,855**	**$ 177,265**	**$ 1,349**	**$ (65,042,357)**	**$ (22,241,759)**

CLOUD DX

Condensed Interim Consolidated Statements of Cash Flows

For the Year Ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

	Six Months Ended	
	June 30, 2024	**June 30, 2023**
Cash flows used in operating activities		
Net loss	**$ (4,521,668)**	$ (4,998,941)
Items not affecting cash:		
Depreciation of property, plant and equipment and right-of-use	**134,835**	163,227
Amortization of intangible assets	**77,192**	77,274
Share-based compensation	**10,366**	-
Interest expense on lease liabilities (Note 12)	**29,122**	37,029
Interest accretion on FedDev loan (Note 16)	**20,174**	22,380
Interest expense on convertible debt (Note 14)	**1,875,483**	898,278
Changes in working capital (Note 15)	**1,111,626**	961,994
Amortization of issuance cost (Note 14)	**7,983**	116,233
Net foreign exchange gain	**29,930**	36,660
Net cash flows used in operations	**(1,224,957)**	(2,685,866)
Cash flows used in investing activities:		
Purchase of intangible assets (Notes 8 & 10)	**-**	(236,828)
Net cash flows from (used in) investing activities	**-**	(236,828)
Cash flows used in financing activities		
Proceeds from the issuance of units (Note 10)	**-**	897,493
Proceeds from advances from investors (Note 17)	**(114,115)**	231,400
Payment for lease obligation (Note 13)	**(145,476)**	(79,533)
Proceeds from related party loans (Note 18)	**1,792,080**	613,805
Related party interest (Note 18)	**-**	29,874
Proceeds from FedDev Loan (Note 17)	**-**	-
Net cash flows from (used in) financing activities	**1,490,825**	1,693,039
Effect of exchange rate changes on cash and cash equivalents		
Effect of exchange rate changes on cash and cash equivalents	**-**	(2)
Net cash used by other activities	**-**	(2)
Net cash increase (decreases) in cash and cash equivalents	**265,868**	18,925
Cash and cash equivalents at beginning of period	**319,953**	129,596
Cash and cash equivalents at end of period	**$ 585,821**	$ 148,521

Note 1. Nature of operations

Cloud DX Inc. (“Cloud DX” or the “Company”) is a remote patient monitoring company that is a Health Canada licensed, US Food and Drug Administration registered medical device manufacturer and software developer offering a complete “end-to-end” virtual healthcare platform called Cloud DX Connected Health. The Company has developed and cleared through regulatory agencies a family of proprietary medical devices, each of which collects multiple vital signs. Cloud DX customers purchase Connected Health in order to remotely monitor patients with serious chronic illness including chronic obstructive pulmonary disease (“COPD”) and congestive heart failure (“CHF”), as well as patients recovering from surgery and, more recently, 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 is focused on offering the best possible virtual care experience. By manufacturing proprietary vital sign devices, the Company can constantly improve the patient user experience (UX), making virtual care more engaging for those who need it most. By collecting unique and accurate remote data, clinicians have more information to use in therapeutic decision making, while streamlining workflow with automated monitoring. Using advanced data science techniques, patterns are identified in patient generated data that indicate the probability of poorer health outcomes, enabling rapid intervention and saving lives. By managing the full patient-to-provider experience, costs can be reduced with improved return on investment for healthcare payers including Canadian health ministries, US Medicare and private insurance providers.

Note 2. Notice of Intention (“NOI”)

On June 6, 2024, the Company reported its wholly-owned subsidiary, Cloud Diagnostics Canada ULC (the "Cloud Diagnostics Canada"), with the authorization and approval of its board of directors (the "Board"), has filed a Notice of Intention to Make a Proposal ("NOI") pursuant to the provisions of the Bankruptcy and Insolvency Act (Canada). Cloud Diagnostics Canada is a material subsidiary of Cloud DX Inc, accounting for most of the Company's revenues.

It is important to note Cloud Diagnostics Canada is not bankrupt and all services to customers will continue as usual. The decision to file an NOI for the Cloud Diagnostics Canada was made by the Board after careful consideration of the Cloud Diagnostics Canada's cash position, financing options, scheduled payments to suppliers, forecast revenue and expenses and all available alternatives. The Board determined that it was in the best interests of the Cloud Diagnostics Canada and its shareholder to file an NOI and obtain creditor protection.

The NOI is the first stage of a formal process which permits the Cloud Diagnostics Canada to pursue a restructuring of its affairs. The filing of the NOI has the effect of imposing an automatic stay of proceedings ("Stay") that will protect the Cloud Diagnostics Canada and its assets from claims and enforcement proceedings of its creditors. The initial Stay period is 30 days and may be extended by subsequent court order. There can be no assurance that the current process will result in a transaction or, if a transaction is undertaken, that it will be successfully concluded in a timely manner, or at all.

The principal purpose of the NOI filing is to create a stabilized environment for Cloud Diagnostics Canada and its financial advisors to run an orderly and flexible sale, investment and solicitation process (the "SISP") approved by the Supreme Court of British Columbia (the "Court") with the goal of identifying one or more interested parties that wish to acquire or make an investment in Cloud Diagnostics Canada's business or all or some of its assets. Crowe MacKay LLP has been appointed as the trustee under the NOI (the "Proposal Trustee"). Cloud Diagnostics Canada is working closely with the Proposal Trustee and its legal advisors on the SISP to best protect stakeholders with the objective to complete the SISP by the end of August 2024.

Due to the filing of the NOI, Cloud DX instructed the TSX Venture Exchange (the "TSX-V") to suspend the trading of the common shares of Cloud DX (the "Cloud Shares") until such time as Cloud DX is in compliance with the TSX-V continued listing requirements (the "Continued Listing Requirements"). There is no certainty as to timing or likelihood that the Cloud Shares will recommence trading on the TSX-V, and the Cloud Shares will be transferred to the NEX Board, a subsidiary board of the TSX-V, if the Continued Listing Requirements are not met.

Note 3. 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 June 30, 2024, the Company had a deficit of $65,042,358 (December 31, 2023 – $60,520,690). During the three and six months ended June 30, 2024, the Company incurred a net loss of $2,301,349 and $4,521,668 and negative operating cashflows of $534,860 and $1,224,958 respectively (June 30, 2023 – net loss of $2,297,260 and $4,998,941 respectively, and negative operating cashflows of $1,248,582 and $2,685,866 respectively). As at June 30, 2024, the Company’s current liabilities exceeded its current assets by $17,465,928 (December 31, 2023 – $13,953,034).

The Company’s ability to continue as a going concern is dependent upon its ability to raise either equity and debt financing once it completes the Notice of Intention (“NOI”) restructuring of its Canadian operating subsidiary, Cloud Diagnostics Canada ULC. Equally important, post the NOI process, will be Company’s capability to sell patient monitoring hardware and software and obtain profitable operations. The Company will need both the continued support of its existing lenders, and to raise significant additional financing either equity issuances, additional debt financings, and/or sales of assets in order to be able to meet both its existing and future obligations. 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. In the event that the Company cannot continue as a going concern, then the Continued Listing Requirements will not be met, and the shares of the company will no longer be tradeable.

Note 4. Significant Accounting Policies

Statements of compliance

The consolidated financial statements of Cloud DX Inc. (the "Cloud DX" or the "Company") have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on September 6, 2024.

Basis of measurement and presentation

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

Functional and presentation currency

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

Basis of consolidation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

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

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

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

Note 5. 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. The estimates and judgements applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2023.

Note 6. Restricted cash

As at June 30, 2024, the Company had $60,060 ($60,060 in 2023) of restricted cash held as collateral against its credit card limit. The funds are invested in a cashable Guaranteed Investment Certificate (GIC) which matured on May 4, 2024 and were reinvested for another 12 months. The credit facility was established in 2023.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 7. Trade receivables

		June 30 2024		December 31 2023
Trade receivables	**$**	**393,198**	$	260,876
Harmonized Sales tax receivable		**(1,451)**		59,839
Less expected credit losses		**(7,954)**		(7,686)
Total	**$**	**$383,793**	$	313,029

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 amortized cost using the effective interest method. The maximum credit risk exposure associated with the trade receivables is the carrying value.

Note 8. Inventory

		June 30 2024		December 31 2023
Finished goods	**$**	**168,820**	$	110,475
Goods in work in progress (long-term)		**339,223**		339,223
Total	**$**	**508,043**	$	449,698

Inventory related to sales recognized as cost of goods sold during the three and six months ended June 30, 2024 amounted to $9,386 and $47,332 respectively (2023 - $76,787 and $255,868 respectively). The Company has classified inventory as long-term where the expected sale is beyond one year from June 30, 2024.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 9.Intangible assets

Intangible assets include intellectual property acquired from a third party. Intangible assets are held by Cloud DX, Inc. and are located in the United States of America.

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

	Intellectual Property
Costs	
Balance at December 31, 2022	**$ 1,580,966**
Additions	**235,620**
Foreign exchange difference	**(41,284)**
Balance at December 31, 2023	**1,775,302**
Foreign exchange difference	**61,879**
Balance at June 30, 2024	**1,837,181**
Accumulated amortization and impairment	
Balance at January 01, 2023	**(1,317,471)**
Amortization	**(158,657)**
Foreign exchange difference	**35,206**
Balance at December 31, 2023	**(1,440,922)**
Amortization	**(77,192)**
Foreign exchange difference	**(52,915)**
Balance at June 30, 2024	**(1,571,029)**
Carrying amounts	
Balance at December 31, 2023	**334,380**
Balance at June 30, 2024	**$ 266,152**

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

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Notes to the Consolidated Financial Statements

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 10. Property, plant and equipment

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

	Computer Equipment	Furniture and Fixtures	Computer Software	Machinery and Equipment	Leasehold Improvements	Total
Cost						
January 01, 2023	$ 129,789	$ 27,270	$ 9,757	$ 102,627	$ 60,338	$ 329,781
Foreign exchange	(90)	(70)	-	(328)	-	(488)
December 31, 2023	129,699	27,200	9,757	102,299	60,338	329,293
Foreign exchange	132	72	-	481	-	715
June 30, 2024	129,831	27,302	9,757	102,780	60,338	333,008
Accumulated depreciation						
January 01, 2023	99,825	20,101	9,757	61,853	18,343	209,879
Amortization	29,355	2,161	-	16,863	14,681	63,060
Foreign exchange	519	(428)	-	4	-	95
Balance at December 31, 2023	129,699	21,834	9,757	78,720	33,024	273,034
Amortization	-	894	-	8,603	7,359	16,856
Foreign exchange	132	89	-	472	-	693
June 30, 2024	129,831	22,817	9,757	87,794	40,383	290,583
Carrying amounts						
Balance at December 31, 2023	-	5,366	-	23,579	27,314	56,259
Balance at June 30, 2024	$ -	$ 4,485	$ -	$ 18,985	$ 19,955	$ 39,425

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

	June 30 2024	December 31 2023
Property and equipment, net		
Canada	**38,772**	55,399
United States of America	**653**	860
Total property and equipment, net	**39,425**	56,259

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 11. Share capital

Authorized and issued

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

	Number of Shares		Total Value
Balance at January 01, 2023	**72,094,396**	**$**	**30,260,087**
Warrant exercise	10,000		1,350
Asset purchase	1,435,714		201,000
Private placement (net of issuance cost)	6,010,258		726,940
Conversion of debt	13,241,731		1,811,884
Shares for debt service	340,335		35,000
Balance at December 31, 2023	**93,132,434**		**33,036,261**
Conversion of debt	339,966		96,747
Balance at June 30, 2024	**93,472,400**		**33,133,008**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 12. Share-based payments

During the three and six months ended June 30, 2024, the Company incurred share-based payment expenses to employees, consultants and directors of the Company in the amount of $nil and $10,366 respectively (2023 - $nil and $nil respectively).

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

The following is a summary of share options for the periods ended June 30, 2024 and December 31, 2023

		Weighted Average Exercised Price per Share Option	Number of Options
As at January 01, 2023	$	**0.58**	3,006,969
Granted during the year	$	**0.10**	3,550,000
Forfeited during the year	$	**0.48**	(504,987)
As at December 31, 2023	$	**0.32**	6,051,982
As at June 30, 2024	$	**0.32**	6,051,982
Vested and exercisable at December 31, 2023		**0.34**	5,234,186
Vested during the year			117,796
Vested and exercisable at June 30, 2024	$	**0.34**	5,351,982

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

Grant Date	Expiry Date	Exercise price		# of Share options June 30, 2024	December 31, 2023
Apr 2021	Apr 2026	$0.48-$0.65		2,098,594	2,098,594
Feb 2022	Feb 2027	$	0.35	403,388	403,388
Dec 2023	Dec 2028	$	0.10	3,550,000	3,550,000

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 12. Share-based payments

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

Grant Date	# of Share options June 30, 2024	# of Share options December 31, 2023
Total	**6,051,982**	**6,051,982**
Weighted average remaining contractual life of options outstanding at end of period (in years)	3.84	3.84

Note 13. Leases

Short Term Leases

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

Long Term Leases

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

	June 30, 2024	December 31, 2023
Right of use assets		
Opening right of-use asset	**$ 1,057,867**	$ 1,456,802
New leases	**-**	242,355
Termination of lease	**-**	(639,065)
Foreign exchange	**16,344**	(2,225)
Closing right of use asset	**1,074,211**	1,057,867
Accumulated depreciation		
Opening accumulated depreciation	**(581,681)**	(557,661)

Note 13. Leases

	June 30, 2024	December 31, 2023
Depreciation for the period	**(117,979)**	(262,742)
Termination of lease	**-**	235,545
Foreign exchange	**(10,822)**	3,177
Closing accumulated depreciation	**(710,482)**	(581,681)
Right of use assets, net	**363,729**	476,185
Lease liabilities		
Opening Lease Liability	**539,400**	1,042,379
Accretion/payment during the year	**28,858**	74,762
Principal payments	**(145,678)**	(313,990)
New leases	**-**	242,355
Termination of lease	**-**	(501,500)
Foreign exchange	**6,767**	(4,606)
Total	**$ 429,347**	$ 539,400

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 19%.

Right-of-use assets are amortized over the expected average lease term of 2-4 years (2023 – 3-5 years).

Note 14. Financial risks

Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company has revenue and purchases that are denominated in a currency other than the functional currency of the Company, being the US dollar. These transactions are primarily denominated in Canadian dollars. The Company does not currently enter into forward contracts to mitigate this risk. There have been no changes in the risk exposure from fiscal December 31, 2023.

As at June 30, 2024 and 2023, a 5% increase/decrease in the currency rate would increase/decrease the net loss by less than $9,000.

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Liquidity risk

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

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

	Payments Due June 30, 2024			
	Total	**less than 1 year**	**Payments due 1-3 years**	**After 3 years**
Trade payables and accrued liabilities	$ 5,738,626	$ 5,738,626	$ -	$ -
Lease liabilities	429,347	238,953	190,394	-
Advances from related parties	130,495	130,495	-	-
Loans from related parties	1,834,699	1,834,699	-	-
Loan payable	501,182	276,174	225,008	-
Convertible debt principal	15,511,043	10,142,085	5,368,958	-
Total	**$24,145,392**	**$18,361,032**	**$ 5,784,360**	**$ -**

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 June 30, 2024 and 2023, the trade and other receivables were within normal repayment terms and the Company had recorded expected credit losses as disclosed in Note 6.

Interest rate risk

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

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 15. Convertible debentures

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

Debentures	**Debt host value**	**Fair value of warrants**	**Conversion feature**	**Total**
Balance at January 01, 2023	$ 7,275,583	$ 334,829	$ 573,498	$ 8,183,910
Convertible debt issued (net of issuance cost)	8,115,265	-	1,504,264	9,619,529
Convertible debt extinguished (net of issuance cost)	(3,838,550)	-	-	(3,838,550)
Convertible debt modified (net of issuance cost)	(190,690)	-	-	(190,690)
Issuance of broker warrants	-	16,078	-	16,078
Recovery of tax on issuance cost	-	-	(433,907)	(433,907)
Interest and accretion expense	1,920,889	-	-	1,920,889
Amortization of issuance cost	439,177	-	-	439,177
Balance at December 31, 2023	**13,721,674**	**350,907**	**1,643,855**	**15,716,436**
Conversion of convertible debt to shares	(96,747)			(96,747)
Interest and accretion expense	1,878,133			1,878,133
Amortization of issuance cost	7,983	-	-	7,983
Balance at June 30, 2024	**15,511,043**	**350,907**	**1,643,855**	**17,505,804**
Current	10,142,085	350,907	1,643,855	12,136,847
Non-current	5,368,958	-	-	5,368,958
Total	**$ 14,561,446**	**$ 350,907**	**$ 1,643,855**	**$ 17,505,804**

i. On March 28, 2024, the Company settled a portion of its convertible debentures ($96,995) issued on July 6, 2022 and amended on July 6, 2023, as a result of an investor exercising the conversion feature to acquire 339,966 of the Company's shares at a conversion price of $0.16 per share.

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

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

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

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

a. On July 6, 2023, the Company extended the maturity date of 1,990 units of $1,000 convertible debentures issued on July 6, 2022, by twelve months to July 6, 2024. The Company has determined that the extension of the term is not a substantial modification of the original agreement, and therefore, the carrying amount of the original debt has been adjusted by the net present value of changes to the future contractual cash flows of $190,690, which has been recorded as an expense within the line item – “Loss on extinguishment of debt” in the Consolidated Statements of Loss and Comprehensive Loss in the Company’s annual consolidated financial statements for the year ended December 31, 2023.

b. On September 8, 2023, the Company amended the terms of 4,207 units of $1,000 convertible debentures issued on October 1, 2021 (2,192 units), January 27, 2022 (1,575 units), March 18, 2022 (260 units) and April 14, 2022 (180 units), as follows:
- The interest rate was increased from 10% to 18% starting April 1, 2023;
- The interest shall be payable on the earlier of the conversion date and the maturity, in the form of (i) common shares of the Company at their market price one day prior to maturity or conversion date, or (ii) cash, at the sole discretion of the Company.;
- The conversion price was reduced from $0.35 per share to $0.15 per share;
- Accrued and unpaid interest from January 1, 2023 to June 30, 2023 owed pursuant to the original debenture agreements has been settled through the issuance of additional convertible debentures; and
- The exercise price of the warrants attached to the debentures was reduced from $0.50 per share to $0.19 per share.

The Company determined that the above amendments were so fundamental that immediate derecognition of the original debentures was required. As such, the carrying amounts of the original debentures, net of issuance costs, were extinguished and new debentures were recognized at their fair values using market interest rate of 28% (consideration paid). The difference of $305,378 between the carrying amounts of the debentures extinguished and the consideration paid, which has been recorded as an expense within the line item – “Loss on extinguishment of debt” in the Consolidated Statements of Loss and Comprehensive Loss in the Company’s annual consolidated financial statements for the year ended December 31, 2023.

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

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

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

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 16. Supplementary cash flow information

Change in working capital

	June 30 2024	December 31 2023
Trades and other receivables	**$ (70,764)**	$ (146,062)
Prepaid expenses	**14,926**	35,087
Inventory	**(58,345)**	26,472
Contract Assets	**27,877**	670
Related parties	**(200,430)**	60,005
Deferred income	**43,034**	(115,211)
Trade and other payable	**1,382,726**	968,342
Total change in working capital	**$ 1,139,024**	$ 829,303

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Notes to the Consolidated Financial Statements

For the years ended June 30, 2024 and 2023 (stated in CAD dollars, unless otherwise stated)

Note 17. Loan Payable

During the year ended December 31, 2023, the Company commenced repayments in June 2023 at $8,333 per month ($8,353 in the final month of May 2028) of its interest-free $500,000 Business Scale Up and Productivity Contribution Agreement with the Federal Economic Development Agency ("FedDev") for Southern Ontario. The facility is designed to assist with the Company's scale up in the North American markets.

The Company has recognized $nil ($nil in June 30, 2024) 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 June 30, 2024 is $325,004 ($346,495 in 2023) after assuming a discount rate of 20.00% (20.00% in 2024) to calculate the portion attributable to government funding.

The current portion of loan payable also includes demand loans from third parties in the amount of $176,178, including principal and interest thereon.

Note 18. Related party transactions

During the three and six months ended June 30, 2024, the Company has recorded an expense associated with consulting fees and wages to officers and their wholly owned companies of $172,643 and $356,974 respectively (June 30, 2023 - $170,549 and $353,839). During the period ended June 30, 2024, the Company incurred respective director fee expenses of $9,000 and $18,000 ($24,000 and $33,000 - June 30, 2023).

The advances to/from related parties of $130,495 (2023 - $330,925), relate to advances to/from certain directors and officers of the Company. These amounts have no fixed repayment terms, are unsecured and are non-interest bearing.

During the period ended June 30, 2024, loans having a face value of $nil ($1,639,000 in 2023) were converted to Secured Convertible Debentures, and $nil ($1,797,884 in 2023) were converted to Units, with a balance of related party loans of $1,834,699 outstanding as at June 30, 2024 ($23,321 – December 31, 2023) (Refer to Notes 9 and 14 for details on conversions). During the period ended June 30, 2024, a total of $30,000 (2023 - $218,371) of related party loans were repaid.

For the three months ended June 30, 2024, 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:

	3 months		**6 months**	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Contractor expense for services	$ **25,500**	$ 25,500	$ 51,000	$ 51,000
Officers' wages	**147,143**	145,049	305,974	302,839
Directors' fees	**9,000**	24,000	18,000	33,000
Total key management compensation	$ **181,643**	$ 194,549	$ 374,974	$ 386,839

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Note 19. Government assistance and grants

During the three and six months ended June 30, 2024, the total of grants received and deferred grant income from prior year recognized as income was $62,365 and $111,333 (2023 - $84,413 and $165,300).

In June 30, 2024, the total of grants received and deferred grant income from prior year recognized as income was December 31, 2023 (2023 - December 31, 2023). As at June 30, 2024, $nil (2023 - $258,342) has been deferred for recognition in the future on a consistent basis with recording the related expense.

Note 20. Subsequent events

On August 15, 2024, the Supreme Court of British Colombia in Bankruptcy and Insolvency approved the Company's application, via it's Canadian operating subsidiary Cloud Diagnostics Canada ULC, to extend the time for service of its Notice of Application and extend the Company's time for filing Cloud DX's proposal under Part III, Division 1 of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3 (the "BIA") to 11:59 p.m. on October 3, 2024.

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