

DIAGNOS

DIAGNOS Inc.

Consolidated Financial Statements

For the years ended March 31, 2023 and March 31, 2022



Independent Auditor's Report

To the Shareholders of
Diagnos Inc.

Raymond Chabot
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Opinion

We have audited the consolidated financial statements of Diagnos Inc. (hereafter “the Company”), which comprise the consolidated statements of financial position as at March 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to 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 financial position of the Company as at March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit 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 audit 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 1 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial

statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the “Material uncertainty related to going concern” section, we have determined that there are no key audit matters to communicate in our report.

Information other than the consolidated financial statements and the auditor’s report thereon

Management is responsible for the other information. The other information comprises the information included in Management’s Discussion and Analysis report.

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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis report prior to the date of this auditor’s report. If, based on the work we have performed on this information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. 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 (IFRS), 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 group 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Raymond Chabot Grant Thornton LLP¹

Montréal
July 13, 2023

¹ CPA auditor, public accountancy permit no. A115879

DIAGNOS Inc.
Consolidated Statements of Financial Position
(amounts in Canadian dollars)

	Note	As at	
		March 31, 2023	March 31, 2022
		\$	
ASSETS			
Current			
Cash		296,639	420,914
Short-term investments	5	-	500,000
Accounts receivable	6	263,269	346,229
Prepaid expenses		14,892	21,659
		<u>574,800</u>	<u>1,288,802</u>
Non-current			
Capital assets	8	248,231	252,779
Total assets		<u>823,031</u>	<u>1,541,581</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	460,014	462,646
Deferred revenue		6,710	6,667
Loans	10	168,888	125,000
Leases	11	83,159	65,055
		<u>718,771</u>	<u>659,368</u>
Non-current			
Loans	10	203,378	158,010
Leases	11	152,727	164,148
Convertible debentures	12	1,696,362	673,565
		<u>2,052,467</u>	<u>995,723</u>
Total liabilities		<u>2,771,238</u>	<u>1,655,091</u>
SHAREHOLDERS' DEFICIENCY			
Share capital	13	35,914,525	35,679,831
Reserve	14	9,588,048	9,175,574
Deficit		(47,526,360)	(44,992,462)
Investments revaluation reserve		-	(53,082)
Foreign exchange differences		75,580	76,629
		<u>(1,948,207)</u>	<u>(113,510)</u>
Total liabilities and shareholders' deficiency		<u>823,031</u>	<u>1,541,581</u>

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors:

(signed) Vincent Duhamel
Acting chairman

(signed) André Larente
Director

DIAGNOS Inc.

Consolidated Statements of Loss and Comprehensive Loss

(amounts in Canadian dollars)

	Note	Year ended March 31,	
		2023	2022
		\$	
Revenue	15	485,749	438,833
Expenses			
Costs of services and research and development		792,519	857,129
Selling and administrative		1,930,242	2,241,663
	16	2,722,761	3,098,792
Loss before other items and income taxes		(2,237,012)	(2,659,959)
Other income	17	27,340	100,141
Interest expense	16	(271,144)	(48,400)
Loss before income taxes		(2,480,816)	(2,608,218)
Income taxes	18	-	-
Net loss		(2,480,816)	(2,608,218)
Other comprehensive income (loss) items			
Item that will subsequently be transferred to profit or loss			
Net change in foreign exchange translation		(1,049)	1,259
Comprehensive loss		(2,481,865)	(2,606,959)
Basic and diluted net loss per share		(0.04)	(0.04)
Weighted-average number of common shares outstanding		69,617,364	68,734,973

The accompanying notes are an integral part of these consolidated financial statements.

DIAGNOS Inc.

Consolidated Statements of Changes in Equity

(amounts in Canadian dollars)

Year ended March 31, 2023

	Share capital (note 13)	Reserve (note 12 & 14)	Deficit	Investments revaluation reserve	Foreign exchange differences	Total shareholders' deficiency
	\$					
Balance, beginning of year	35,679,831	9,175,574	(44,992,462)	(53,082)	76,629	(113,510)
Net loss	-	-	(2,480,816)	-	-	(2,480,816)
Other comprehensive loss items	-	-	(53,082)	53,082	(1,049)	(1,049)
Issuance of common shares	234,694	(40,186)	-	-	-	194,508
Issuance of warrants	-	69,004	-	-	-	69,004
Conversion options	-	226,466	-	-	-	226,466
Issue expenses	-	(10,133)	-	-	-	(10,133)
Stock-based compensation expense	-	167,323	-	-	-	167,323
Balance, end of year	35,914,525	9,588,048	(47,526,360)	-	75,580	(1,948,207)

Year ended March 31, 2022

	Share capital (note 13)	Reserve (note 12 & 14)	Deficit	Investments revaluation reserve	Foreign exchange differences	Total shareholders' deficiency
	\$					
Balance, beginning of year	34,756,759	8,737,350	(42,384,244)	(53,082)	75,370	1,132,153
Net loss	-	-	(2,608,218)	-	-	(2,608,218)
Other comprehensive loss items	-	-	-	-	1,259	1,259
Issuance of common shares	923,072	(199,238)	-	-	-	723,834
Issuance of warrants	-	17,082	-	-	-	17,082
Conversion options	-	214,175	-	-	-	214,175
Issue expenses	-	(19,937)	-	-	-	(19,937)
Stock-based compensation expense	-	426,142	-	-	-	426,142
Balance, end of year	35,679,831	9,175,574	(44,992,462)	(53,082)	76,629	(113,510)

The accompanying notes are an integral part of these consolidated financial statements.

DIAGNOS Inc.
Consolidated Statements of Cash Flows
(amounts in Canadian dollars)

	Note	Year ended March 31,	
		2023	2022
		\$	
Cash flows from operating activities			
Net loss		(2,480,816)	(2,608,218)
Items not affecting cash			
Depreciation of capital assets	8	101,166	105,800
Accretion on leases	11	21,208	27,515
Amortization of issue expenses	12	14,468	-
Accretion on convertible debentures	12	84,423	3,609
Accretion on loans	10	18,266	7,681
Governmental grant amortization	10	(15,340)	(8,302)
Stock-based compensation expense	13	167,323	426,142
		(2,089,302)	(2,045,773)
Payment of interest		118,353	22,805
Net change in operating working capital items	19	87,138	(14,975)
		(1,883,811)	(2,037,943)
Cash flows from investing activities			
Proceeds from disposal of short-term investments	5	1,100,000	1,200,000
Acquisition of short term investments	5	(600,000)	(700,000)
Interest on investments	5 & 7	-	3,278
Proceeds from disposal of long term investments	7	-	30,000
Additions to capital assets	8	(24,225)	(31,012)
Others		(1,049)	1,259
		474,726	503,525
Cash flows from financing activities			
Issuance of convertible debentures and warrants, net of issue expenses	12 & 14	1,403,751	881,276
Issuance of common shares, net of issue expenses	13	-	723,834
Issuance of loans	10	206,330	119,465
Repayment of loan	10	(120,000)	-
Lease payments	11	(86,918)	(105,828)
Payment of interest		(118,353)	(22,805)
		1,284,810	1,595,942
Net change in cash		(124,275)	61,524
Cash, beginning of year		420,914	359,390
Cash, end of year		296,639	420,914

The accompanying notes are an integral part of these consolidated financial statements.

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

1. Going concern assumption

For the year ended March 31, 2023, the Corporation is reporting a net loss of \$2,480,816 (\$2,608,218 for the year ended March 31, 2022) and a cumulative deficit of \$47,526,360 at the same date (\$44,992,462 as at March 31, 2022). The Corporation has not realized an annual profit since its inception.

There exist significant uncertainties which cast significant doubt about the ability of the Corporation to continue as a going concern.

In order to address these uncertainties, the Corporation is evaluating the implementation of some or all of the following measures:

- Reduce operating costs
- Continue to seek debt financing (refer to note 22)
- Continue to seek equity financing
- Continue to evaluate possible M&A opportunities

The Corporation believes that if it were to be successful in implementing some or all of the above risk mitigating measures, it will be able to continue as a going concern. There remains however, significant risk and uncertainty associated with implementing any of these measures which are dependent on a number of factors of which some may be outside of the Corporation's control.

As at March 31, 2023, the Corporation is current in its payroll taxes and is not in default with regards to its debt.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. They do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. Such adjustments, if required, may be material.

2. Statutes of incorporation and nature of activities

DIAGNOS Inc. ("the Corporation") is incorporated under the Canada Business Corporations Act and the subsidiaries under the applicable regulations in their respective countries. The main office is located at 7005 Taschereau Blvd., Suite 265, Brossard, Quebec, Canada. The shares of the Corporation are listed on the TSX Venture Exchange.

The Corporation provides software-based services to assist health specialists in the detection of diabetic retinopathy.

These consolidated financial statements have been approved and authorized for filing by the Board of Directors of the Corporation on July 13, 2023.

3. Basis of consolidation, statement of compliance with IFRS and summary of accounting policies

Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and those of its subsidiaries. Subsidiaries consist of entities over which the Corporation has right, or is exposed, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries' financial statements are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries' year end and accounting policies are aligned with those adopted by the Corporation.

Percentage of interest in the Corporation's subsidiaries is as follows:

Name of subsidiary	Location of subsidiary	Percentage of ownership
Diagnos Internacional SA de CV	Mexico	99.8%
Diagnos Healthcare (India) Private Limited	India	99.74%

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

3. Basis of consolidation, statement of compliance with IFRS and summary of accounting policies (continued)

Inter-company transactions and balances and any unrealized revenue and expense are eliminated in preparing the consolidated financial statements.

Summary of accounting policies

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”). These policies have been applied throughout the year unless otherwise stated. The following is a list of the significant accounting policies.

a) General

The consolidated financial statements have been prepared and measured at historical cost, except for certain financial instruments that are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets acquired and liabilities assumed.

b) Revenue recognition

The Corporation operates in one reportable segment; healthcare services.

Revenue from healthcare services typically arises from CARA (Computer Assisted Retina Analysis), a web-based software tool used by healthcare professionals principally for the detection of diabetic retinopathy. CARA services usually include sales support for the duration of the contract. In some cases, revenue may also arise from added services such as providing workforce to a client for the customization and the deployment of CARA. The Corporation accounts for the different services separately if they are distinct and the selling prices can be reasonably estimated.

The Corporation also renders various consulting services in the fields of data analysis and artificial intelligence.

Revenue from healthcare services and consulting services are recognized when service is rendered to a customer, over the period in which the services are rendered. Revenue is measured based on the consideration specified in a contract with a customer and excludes sales tax amounts and other amounts collected on behalf of third parties. Billing of services is usually done on a monthly basis. In some occasions, contract assets representing unbilled services rendered are presented under “Accounts receivable” in the consolidated statements of financial position. Contract liabilities representing amounts invoiced before the recognition of services or goods are presented under “Deferred revenue” in the consolidated statements of financial position.

Government assistance and grants

A government assistance and grant is recognized when there is reasonable assurance that (i) the Corporation has complied with all applicable conditions and (ii) the money will be received.

A grant related to assets is presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset. A grant related to expenses is presented as other income in the consolidated statement of loss and comprehensive loss.

Government assistance resulting from the Canada Emergency Wage Subsidy program may be examined by the tax authorities. Retroactive application clarifications were introduced after the program was announced and some rules may be interpreted differently by the tax authorities, which may result in differences between amounts granted and amounts recorded in these financial statements.

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

3. Basis of consolidation, statement of compliance with IFRS and summary of accounting policies (continued)

c) Interest

Interest is accounted for using the effective interest method. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

d) Investment tax credits

The Corporation records investment tax credits when it believes it has complied with the eligibility requirements as set out in the income tax legislation of Canada and its provinces and collection is reasonably assured. Refundable investment tax credits are presented in reduction of research and development expenses in the consolidated statements of loss and comprehensive loss. Investment tax credits related to capital expenditures are recorded as reductions of capital assets.

e) Capital assets and depreciation

Capital assets are stated at historical cost less accumulated depreciation, impairment losses and related tax credits. Historical cost includes all costs directly attributable to the acquisition. Computer equipment cost includes software that is integral to its functionality.

Useful lives, residual values and depreciation methods are reviewed at each year-end. Such a review takes into consideration the nature of the assets, their intended use and technological changes.

Depreciation of capital assets is provided on parts that have homogenous lives by using the straight-line method over the estimated useful lives, as follows:

	<u>Annual rates</u>
Office furniture and equipments	20%
Computer and medical equipments	50%
Right-of-use assets	Lease term

f) Impairment of capital assets

At the end of each reporting period, the Corporation assesses whether there is any indication that a capital asset has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. They are allocated to the lowest level for which there are largely identifiable cash inflows (cash-generating units) for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs of disposal and 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

3. Basis of consolidation, statement of compliance with IFRS and summary of accounting policies (continued)

g) Income taxes

The Corporation uses the liability method of accounting for income tax. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantially enacted income tax rates expected to be in effect for the period in which the differences are expected to reverse. To the extent that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized, the deferred tax asset is not recognized.

h) Research and development expenses

All expenses related to development activities, which do not meet generally accepted criteria for deferral, and research expenses are expensed as incurred. Development expenses, which meet generally accepted criteria for deferral, are capitalized and amortized over the estimated period of benefit. For the periods presented in these consolidated financial statements, all expenses related to development activities were expensed as incurred.

i) Loss per share

The loss per share is determined using the weighted-average number of common shares outstanding during the year.

The diluted loss per share, which is calculated according to the treasury stock method, is equal to the basic loss per share due to the anti-dilution effect of the stock option plan, the warrants and conversion options and the convertible debentures.

j) Stock-based compensation

Stock-based compensation is recorded as an expense in the consolidated statements of loss and comprehensive loss, using the fair value obtained by applying the Black - Scholes option pricing model, with a corresponding credit to reserve. The compensation expense is amortized according to the graded vesting method over the vesting period. Upon exercise of stock options, the accumulated compensation is reduced from reserve and added to share capital.

k) Equity

Share capital is recorded at the subscribed value of the shares issued less issuance costs. Proceeds from unit placements are allocated between share and warrants according to the residual value method, where the difference between the fair value and issue price of the share when the warrants are issued is allocated to the warrants.

Reserve is composed of stock-based compensation, issuance of conversion options and issuance of stock warrants less accumulated stock-based compensation on exercise of stock options.

Gains and losses related to the revaluation of certain financial instruments are included in the investments revaluation reserve amount.

Foreign exchange differences comprises foreign currency translation differences arising from the translation of financial statements of the Corporation's foreign entities into Canadian dollars.

Deficit includes the losses from the current year and prior years.

Costs related to the issuance of shares, stock warrants or stock options are recorded in equity net of tax.

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

3. Basis of consolidation, statement of compliance with IFRS and summary of accounting policies (continued)

l) Financial instruments

The following table below presents the measurement categories for each class of the Corporation's financial assets and financial liabilities.

Description	Category
Cash	Financial assets at amortized cost
Short-term investments	Financial assets at amortized cost
Accounts receivable, except tax credits and sales taxes	Financial assets at amortized cost
Investment	Financial assets at Fair Value through Other Comprehensive Income
Accounts payable and accrued liabilities (except salaries and benefits and sales taxes), loans and convertible debentures	Financial liabilities at amortized cost

The Corporation aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally on the date of the transaction. Transaction costs related to financial instruments are measured initially at fair value, except for transaction costs related to FVTPL financial assets which are expensed as incurred, and are added to the carrying value of the asset or netted against the carrying value of the liability.

The following is a description of the policies for subsequent measurement of financial assets and financial liabilities.

Financial assets at Fair Value through Profit or Loss (FVTPL)

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)

The Corporation has irrevocably elected to present subsequent changes in the fair value of investments in entities other than subsidiaries and associates in Other Comprehensive Income because the investments in equity instruments fail the solely payments of principal and interest test.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. The accumulated fair value reserve related to these investments will never be reclassified to profit and loss.

Financial liabilities at amortized cost

These liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses, foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

3. Basis of consolidation, statement of compliance with IFRS and summary of accounting policies (continued)

Component parts of compound instruments

The component parts of compound instruments, such as convertible debentures, issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Corporation's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

The values of component parts classified as equity are determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

Impairment of financial assets

The Corporation uses the expected credit losses impairment model with respect to its financial assets carried at amortized Cost and FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument. The Corporation accounts for expected credit losses over the life of financial assets measured at amortized cost. Expected credit losses over the life of the asset are expected credit losses for all of the default events that a financial instrument may experience over its expected life. The assessment of expected credit losses reflects reasonable and justifiable information about past events, current circumstances and forecasts of events and economic conditions and takes into account the factors specific to the accounts receivable, the general condition of the economy and a current as well as expected appreciation of the conditions prevailing at the financial position date, including the time value of the money, if any.

m) Leases

For any new contracts entered into, the Corporation considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition the Corporation assesses whether the contract meets three key evaluations which are whether:

- a. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation,
- b. the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract, and
- c. the Corporation has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of leases

At lease commencement date, the Corporation recognises a right-of-use asset and a lease liability on the financial position statement. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Corporation, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Corporation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Corporation also assesses the right-of-use asset for impairment when such indicators exist.

3. Basis of consolidation, statement of compliance with IFRS and summary of accounting policies (continued)

At the commencement date, the Corporation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Corporation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Corporation has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

n) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

o) Foreign currency translation

For the purpose of the consolidated financial statements, the profit or loss and financial position of each group entity are expressed in Canadian dollars, which is the functional and presentation currency of the Corporation.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the respective entity at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized in profit or loss. Non-monetary items are not translated at year-end and are measured at historical cost, except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

The assets and liabilities of foreign operations are translated to Canadian dollars using exchange rates prevailing at the end of the reporting period. Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising from the translation process of net investments in foreign operations are recognized as foreign currency translation adjustments in other comprehensive loss under investments revaluation reserve and accumulated in equity.

DIAGNOS Inc.
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3. Basis of consolidation, statement of compliance with IFRS and summary of accounting policies (continued)

p) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Corporation

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the International Accounting Standards Board ("IASB"). None of these standards or amendments to existing standards have been adopted early by the Corporation. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Corporation's financial statements.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Corporation's significant accounting policies, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The following are the critical accounting judgments and the key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) Going concern

The Corporation's ability to continue as a going concern is dependent on securing additional and immediate financing and on achieving and maintaining profitable operations. Management has to assess the outcome of these matters when preparing the Corporation's consolidated financial statements. The Corporation's current level of operations is not sufficient to cover its expenses and ongoing commitments, resulting in the negative cash flows generated from its operating activities. The Corporation's ability to generate positive cash flows from its operating activities is dependent on achieving and maintaining profitable operations. Since inception, the Corporation has been able to finance its activities and operate on a going concern basis through issuances of shares, stock warrants, convertible debt and demand loans. However, there is no guarantee that such financing will be available going forward (refer to note 1).

b) Tax credits on research and development expenses

The Corporation's receivables include refundable tax credits on research and development (R&D) expenses. Management has to make a critical judgment related to the eligibility of R&D expenses with regards to the provisions of the current tax credits programs.

c) Stock-based compensation

Stock-based compensation involves the valuation of grants of stock options. The Corporation relies on the fair value obtained by applying the Black - Scholes option pricing model. This model requires making assumptions related to the risk-free interest rate (with a term that matches the expected life of the options), the expected stock price volatility, the expected life of the options and the expected dividend yield on the Corporation's shares. Management also has to estimate the number of options that will eventually vest. Management relies on past experience to make these estimates.

d) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

e) Fair value of financial instruments

Financial instruments are initially recorded at fair value. In the absence of active markets in the evaluation of financial assets and financial liabilities, the Corporation relies on evaluation techniques based on inputs that are not based on observable market data which could cause the actual results to differ from the estimates.

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4. Critical accounting judgments and key sources of estimation uncertainty (continued)

f) Leases

Recognising leases requires judgment and use of estimates and assumptions. Judgment is used to determine whether there is reasonable certainty that a lease extension or cancellation option will be exercised. Furthermore, management estimates are used to determine the lease terms and the appropriate interest rate to establish the lease liability.

g) Provisions

Recognising provisions requires judgment and use of estimates and assumptions. Judgment is required in assessing the likelihood and magnitude of an outflow of cash to settle provisions and other contingencies. Furthermore, management estimates are used to measure the amount of outflow of cash or resources that may be required to settle any contingent liabilities.

5. Short-term investments

As at March 31,	
2023	2022
\$	
-	500,000

Guaranteed investment certificates bearing interest at 0.465%

Guaranteed investment certificates are cashable without any penalties and therefore are presented as “current” in the statement of financial position.

The following table presents a reconciliation of changes in short-term investments:

	Year ended March 31,	
	2023	2022
	\$	
Balance, beginning of year	500,000	1,001,467
Acquisitions	600,000	700,000
Proceeds from disposals	(1,100,000)	(1,200,000)
Interest	-	(1,467)
Balance, end of year	-	500,000

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6. Accounts receivable

	As at March 31,	
	2023	2022
	\$	
Customers	50,191	122,848
Tax credits on research and development expenses	148,595	149,007
Demand loan bearing annual interest rate of 4%	20,000	43,433
Sales commissions advance, no interest bearing	20,495	20,704
Sales taxes	22,530	8,779
Others	1,458	1,458
	<u>263,269</u>	<u>346,229</u>

All amounts are due in the short term. The net carrying amounts are a reasonable approximation of their fair value.

As at March 31, 2023 and March 31, 2022, certain client balances became past due. These receivables were mainly from long-standing clients who had not as of yet defaulted and had not suffered any changes in their financial condition or whose payments were received after year end. The aging of these accounts is as follows:

	As at March 31,	
	2023	2022
	\$	
0 to 30 days	49,706	121,807
31 to 60 days	-	214
61 to 90 days	11	-
91 days or more	474	827
	<u>50,191</u>	<u>122,848</u>

DIAGNOS Inc.
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7. Investments

	As at March 31,	
	2023	2022
	\$	
Shares of private companies	-	-

The following table presents a reconciliation of changes in investments:

	Year ended March 31,	
	2023	2022
	\$	
Balance, beginning of year	-	31,811
Proceeds from disposal	-	(30,000)
Loss on disposal	(6,000)	-
Interest	-	(1,811)
Accumulated variations in fair value at time of disposal	6,000	-
Balance, end of year	-	-

DIAGNOS Inc.
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8. Capital assets

The following tables disclose a reconciliation of changes in capital assets:

	Year ended March 31, 2023			
	Office furniture and equipments	Computer and Medical equipments	Right-of-use assets	Total
	\$			
Cost, beginning of year	59,918	1,162,844	332,607	1,555,369
Additions	-	24,225	72,393	96,618
Write offs	-	(15,181)	(30,300)	(45,481)
Cost, end of year	59,918	1,171,888	374,700	1,606,506
Accumulated depreciation, beginning of year	59,308	1,123,312	119,970	1,302,590
Depreciation	610	33,162	67,394	101,166
Write offs	-	(15,181)	(30,300)	(45,481)
Accumulated depreciation, end of year	59,918	1,141,293	157,064	1,358,275
Net carrying value at end of year	-	30,595	217,636	248,231

	Year ended March 31, 2022			
	Office furniture and equipments	Computer and Medical equipments	Right-of-use assets	Total
	\$			
Cost, beginning of year	59,918	1,131,832	348,637	1,540,387
Additions	-	31,012	-	31,012
Write offs	-	-	(16,030)	(16,030)
Cost, end of year	59,918	1,162,844	332,607	1,555,369
Accumulated depreciation, beginning of year	59,024	1,089,616	64,180	1,212,820
Depreciation	284	33,696	71,820	105,800
Write offs	-	-	(16,030)	(16,030)
Accumulated depreciation, end of year	59,308	1,123,312	119,970	1,302,590
Net carrying value at end of year	610	39,532	212,637	252,779

DIAGNOS Inc.
Notes to Consolidated Financial Statements

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9. Accounts payable and accrued liabilities

	As at March 31,	
	2023	2022
	\$	
Accounts payable and accrued liabilities	288,213	278,486
Interests payable and accrued	31,928	4,455
Salaries and benefits	139,873	179,705
	460,014	462,646

10. Loans

	As at March 31,	
	2023	2022
	\$	
Unsecured non-convertible demand loans	125,000	125,000
Interest-free loan	205,795	119,465
fair value discount	(108,883)	(72,571)
deferred grant	111,486	72,750
Interest-free bank loan	40,000	40,000
fair value discount	(5,132)	(10,942)
deferred grant	4,000	9,308
	372,266	283,010
Short-term portion	168,888	125,000
Long-term portion	203,378	158,010

Unsecured non-convertible loans bear interest at the annual rate of 10% (March 31, 2022 - 10%) and will mature on December 15, 2023 (March 31, 2022 – December 16, 2022). During the quarter ended December 31, 2022, the maturity date of the unsecured non-convertible loans has been extended to December 15, 2023.

During the quarter ended December 31, 2022, the Corporation received a second and final disbursement of \$86,330 under a financing agreement in the form of an interest-free loan from the government of Québec via the Economic Development Fund to support the commercialization of its healthcare services globally. The interest-free loan has a term of 10 years and monthly principal repayment will start in November 2023. The fair value of the second and final disbursement has been established at \$37,562 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity:	9 years	Nominal interest rate:	0%
Interest payment frequency:	0 per year	Effective interest rate:	18.43%

During the quarter ended December 31, 2022, the Corporation received a loan of \$120,000 bearing interest at 10% per year which was repaid on January 20, 2023.

During the quarter ended December 31, 2021, the Corporation received a first disbursement of \$119,465 under the same financing agreement described above. The fair value of the first disbursement has been established at \$43,294 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity:	10 years	Nominal interest rate:	0%
Interest payment frequency:	n/a	Effective interest rate:	18.51%

DIAGNOS Inc.
Notes to Consolidated Financial Statements

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10. Loans (continued)

During the quarter ended June 30, 2020, the Corporation received a bank loan of \$40,000 under the Canada Emergency Business Account (CEBA) program. On January 12, 2022, the main terms of the under the CEBA program were updated as follows:

- 0% interest until December 31, 2023.
- No principal payments until December 31, 2023.
- \$10,000 loan forgiveness provided \$30,000 is paid back prior to December 31, 2023.
- If the balance is not paid by December 31, 2023, the remaining balance will be converted to a 2-year term loan at 5% annual interest, paid monthly, effective January 1, 2024.
- The full balance must be repaid by no later than December 31, 2025.

As a result of the updated main terms of the loan, the fair value of the loan has been established at \$20,410 using the discounted cash flows valuation method.

The following table presents a reconciliation of changes in loans:

	Year ended March 31,	
	2023	2022
	\$	
Balance, beginning of year	283,010	164,166
Proceeds	206,330	119,465
Repayment	(120,000)	-
Accretion	18,266	7,681
Amortization of grant	(15,340)	(8,302)
Balance, end of year	372,266	283,010

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11. Leases

	As at March 31,	
	2023	2022
	\$	
Finance leases	235,886	229,203
Leases - short term	83,159	65,055
Leases - long term	152,727	164,148

During the quarter ended March 31, 2023, the Corporation entered into one lease agreement for computer equipment. The minimum monthly payment amounts to \$2,117 for a term of 36 months ending in March 2026.

During the quarter ended December 31, 2022, the Corporation entered into one lease agreement for computer equipment. The minimum monthly payment amounts to \$351 for a term of 36 months ending in October 2025.

During the quarter ended September 30, 2020, the Corporation signed a new lease for its head office. The minimum monthly payment amounts to \$6,135 for a term of 60 months ending August 31, 2025.

During the quarter ended June 30, 2020, the Corporation entered into one computer equipment lease agreement. The minimum monthly payment amounts to \$353 for a term of 36 months ending August 31, 2023.

One lease related to web hosting facility with monthly payments of \$773 ended in January 2023.

Right-of-use assets are included in capital assets (note 8).

The following table presents a reconciliation of changes in leases:

	Year ended March 31,	
	2023	2022
	\$	
Balance, beginning of period	229,203	307,516
Computer equipment	72,393	-
Accretion	21,208	27,515
Payments	(86,918)	(105,828)
Balance, end of period	235,886	229,203

The net carrying value of computer and medical equipment under lease liabilities amounted to \$71,619 as at March 31, 2023 (\$510 as at March 31, 2022).

DIAGNOS Inc.
Notes to Consolidated Financial Statements

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(amounts in Canadian dollars)

11. Leases (continued)

Contractual discounted payments under lease liabilities are as follows:

	Year ended March 31,	
	2023	2022
	\$	
Within one year	83,159	65,055
1 to 2 years	90,635	60,984
2 to 5 years	62,092	103,164
Total	235,886	229,203

The following table discloses other amounts recognized in profit or loss:

	Year ended March 31,	
	2023	2022
	\$	
Interest on lease liabilities	21,208	27,515
Short-term leases	10,945	14,257
	32,153	41,772

DIAGNOS Inc.
Notes to Consolidated Financial Statements

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12. Convertible debentures

	As at March 31,	
	2023	2022
	\$	
Unsecured convertible debentures	2,130,000	930,000
Fair value discount	(384,344)	(225,223)
Issue expenses	(49,294)	(31,212)
	1,696,362	673,565

During the quarter ended March 31, 2023, as part of a private placement, the Corporation issued convertible unsecured debentures (each a "Q4-Debenture") for gross proceeds of \$250,000. The Q4-Debentures bear interest at an annual rate of 10%, and will mature on January 13, 2026. At the sole option of the Q4-Debenture holders, the principal amount of the Q4-Debentures may be converted at any time into common shares of the Corporation at a price of \$0.22 per common share. As part of the private placement, 250,000 stock warrants were issued to the Q4-Debenture holders entitling the holder to purchase one common share of the Corporation per stock warrant at a price of \$0.26 per common share for a period of 18 months ending July 13, 2024.

The fair value of the Q4-Debentures has been established at \$199,784 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity:	3 years	Nominal interest rate:	10%
Interest payment frequency:	2 per year	Effective interest rate:	21.03%

Of the difference of \$50,216 between the nominal value of the Q4-Debentures, \$250,000, and the fair value of \$199,784, an amount of \$29,516 has been allocated to the conversion options and an amount of \$20,700 has been allocated to the stock warrants prorated based on their respective fair values using the Black-Scholes option pricing model with the following weighted average assumptions:

Conversion options:

Expected life:	3 years	Risk-free interest rate:	4.89%
Liquidity discount:	25%	Volatility:	79.64%

Stock warrants:

Expected life:	18 months	Risk-free interest rate:	4.89%
Liquidity discount:	25%	Volatility:	79.64%

During the quarter ended March 31, 2023, one debenture holder proceeded with the conversion of a principal amount of \$250,000 into 1,136,363 common shares (refer to note 13).

During the quarter ended December 31, 2022, as part of two private placements, the Corporation issued convertible unsecured debentures (each a "Q3-Debenture") for gross proceeds of respectively \$500,000 and \$350,000. The Q3-Debentures bear interest at an annual rate of 10%, and will respectively mature on November 25, 2025 and December 9, 2025. At the sole option of the Q3-Debenture holders, the principal amount of the Q3-Debentures may be converted at any time into common shares of the Corporation at a price of \$0.22 per common share. As part of the private placement, 850,000 stock warrants were issued to the Q3-Debenture holders and 109,090 stock warrants were issued as finder's fees to two brokers acting as finders. One stock warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.26 per common share for a period of 18 months ending May 25, 2024 (568,181 stock warrants) and June 9, 2024 (390,909 stock warrants).

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(amounts in Canadian dollars)

12. Convertible debentures (continued)

The fair value of the Q3-Debentures has been established at respectively \$399,568 and \$279,677 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity:	3 years	Nominal interest rate:	10%
Interest payment frequency:	2 per year	Effective interest rate:	20.14%

Of the difference of \$170,755 between the aggregate nominal value of the Q3-Debentures, \$850,000, and the aggregate fair value of \$679,245, an amount of \$138,198 has been allocated to the conversion options and an amount of \$32,557 has been allocated to the stock warrants prorated based on their respective fair values using the Black-Scholes option pricing model with the following weighted average assumptions:

Conversion options:

Expected life:	3 years	Risk-free interest rate:	4.76%
Liquidity discount:	25%	Volatility:	75.58%

Stock warrants:

Expected life:	18 months	Risk-free interest rate:	4.76%
Liquidity discount:	25%	Volatility:	75.58%

During the quarter ended September 30, 2022, as part of a private placement, the Corporation issued \$350,000 worth of convertible unsecured debentures (each a "Q2-Debenture"). The Q2-Debentures bear interest at an annual rate of 10%, and will mature on August 31, 2025. At the sole option of the Q2-Debenture holders, the principal amount of the Q2-Debentures may be converted at any time into common shares of the Corporation at a price of \$0.22 per common share. As part of the private placement, 350,000 stock warrants were issued to the Q2-Debenture holders entitling the holder to purchase one common share of the Corporation per stock warrant at a price of \$0.26 per common share for a period of 18 months ending February 29, 2024.

The fair value of the Q2-Debentures has been established at \$279,697 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity:	3 years	Nominal interest rate:	10%
Interest payment frequency:	2 per year	Effective interest rate:	18.84%

Of the difference of \$70,303 between the nominal value of the Q2-Debentures, \$350,000, and the fair value of \$279,697, an amount of \$58,752 has been allocated to the conversion options and an amount of \$11,551 has been allocated to the stock warrants prorated based on their respective fair values using the Black-Scholes option pricing model with the following weighted average assumptions:

Conversion options:

Expected life:	3 years	Risk-free interest rate:	3.00%
Liquidity discount:	25%	Volatility:	66.98%

Stock warrants:

Expected life:	18 months	Risk-free interest rate:	3.00%
Liquidity discount:	25%	Volatility:	66.98%

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12. Convertible debentures (continued)

During the quarter ended March 31, 2022, as part of a private placement, the Corporation issued for \$930,000 worth of unsecured convertible debentures (each a “Debenture”). The Debentures bear interest at an annual rate of 8%, and will mature on March 1 & 25, 2025 (the “Maturity Date”). At the sole option of the Debenture holders, the principal amount of the Debentures may be converted at any time into common shares of the Corporation at a price of \$0.38 per common share. Any accrued interest on the principal, at the time of conversion, will be immediately payable in cash. As part of the private placement, 343,025 stock warrants were issued to the debenture holders and finders entitling the holder to purchase one common share of the Corporation per stock warrant at a price of \$0.33 per common share for a period of 18 months from the date of issuance. The fair value of the Debentures has been established at \$702,027 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity:	3 years	Nominal interest rate:	8%
Interest payment frequency:	2 per year	Effective interest rate:	20.37%

Of the difference of \$227,973 between the nominal value of the Debentures, \$930,000, and its fair value of \$702,027, an amount of \$214,175 has been allocated to the conversion options and an amount of \$13,798 has been allocated to the stock warrants prorated based on their respective fair values using the Black-Scholes option pricing model with the following weighted average assumptions:

Stock warrants:

Expected life:	18 months	Risk-free interest rate:	1.94%
Liquidity discount:	25%	Volatility:	54.63%

Conversion options:

Expected life:	3 years	Risk-free interest rate:	1.94%
Liquidity discount:	25%	Volatility:	54.63%

The following table presents a reconciliation of changes in convertible debentures:

	Year ended March 31,	
	2023	2022
	\$	
Balance, beginning of year	673,565	-
Proceeds from private placements	1,450,000	930,000
Fair value discount	(291,274)	(227,973)
Accretion	84,423	3,609
Issue expenses paid in cash	(36,959)	(32,071)
Issue expenses in the form of broker warrants	(3,353)	-
Amortization of issue expenses	14,468	-
Conversion into common shares	(250,000)	-
Accretion on conversion	47,730	-
Amortization of issue expenses on conversion	7,762	-
Balance, end of year	1,696,362	673,565

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13. Share capital

Share capital is composed of common shares without par value of which 70,610,514 are issued and outstanding as at March 31, 2023 (March 31, 2022 – 69,474,151). All the shares have identical rights with respect to the distribution of dividends and the repayment of capital. Each share confers the right to one vote at the annual general meeting of shareholders. The Corporation is authorized to issue an unlimited number of common shares.

The following table presents the changes to share capital which have occurred during the year ended March 31, 2023:

	Number of common shares	\$
Balance, beginning of year	69,474,151	35,679,831
Conversion of debentures	1,136,363	234,694
Balance, end of year	70,610,514	35,914,525

The following table presents the changes to share capital which have occurred during the year ended March 31, 2022:

	Number of common shares	\$
Balance, beginning of year	67,303,982	34,756,759
Exercise of stock warrants	1,320,169	702,072
Exercise of stock options	850,000	221,000
Balance, end of year	69,474,151	35,679,831

Capital management

The Corporation closely manages its capital structure in conjunction with economic conditions in order to produce adequate returns on investments to its Shareholders. The key capital performance measures of the Corporation reside in its capability to meet its financial obligations and to invest in the development of its technology to stay competitive and continue as a going concern.

The Corporation's objectives when managing capital are to:

- Maintain financial flexibility in order to preserve its ability to meet financial obligations;
- Deploy capital to provide an appropriate investment return to its shareholders; and
- Maintain a capital structure that allows multiple financing options to the Corporation.

The Corporation defines its capital as follows:

- Equity;
- Long term loans, notes and debentures;
- Cash; and
- Investments.

In order to maintain or adjust its capital structure, the Corporation may issue shares, issue warrants, issue stock options, issue debt and sell assets.

During the year ended March 31, 2023, the Corporation's strategy remained unchanged from the previous year.

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13. Share capital (continued)

Stock option plan

The Corporation maintains a stock option plan for its directors, key employees and consultants. Stock option grants vest at 50% per year, commencing with the first anniversary of the grant and can be exercised over five years. The conditions of exercise are determined by the Board of Directors in accordance with the policies of the TSX Venture Exchange. The stock options are granted at or above the share price at the close of market on the day preceding the date of grant.

On September 10, 2021, the disinterested shareholders of the Corporation approved the increase of 1,200,000 to the maximum number of stock options which the Corporation is authorized to issue, bringing the maximum number of stock options which the Corporation is authorized to issue to 10,200,000.

The stock option plan provides that the maximum number of common shares, which may be reserved for issuance to any one participant pursuant to share options, may not exceed 5% of the common shares outstanding. The maximum number of common shares that may be reserved for issuance to insiders of the Corporation may not exceed 10% of the common shares issued and outstanding on the grant date. As at March 31, 2023, the outstanding number of stock options available for issuance was 591,909 (March 31, 2022 – 2,715,909).

The following table presents the changes which have occurred with respect to stock options:

	Year ended		Year ended	
	March 31, 2023		March 31, 2022	
	Number of stock options	Weighted- average exercise price (\$)	Number of stock options	Weighted- average exercise price (\$)
Outstanding, beginning of year	6,177,000	0.40	7,722,000	0.40
Granted	1,525,000	0.39	200,000	0.60
Exercised	-	-	(850,000)	0.20
Forfeited	(21,000)	0.55	(335,000)	0.97
Expired	(200,000)	1.30	(560,000)	0.44
Outstanding, end of year	7,481,000	0.37	6,177,000	0.40

The weighted-average market value of stock options exercised during the year ended March 31, 2022 was \$0.30.

The stock-based compensation expense of \$167,323 for the year ended March 31, 2023 (year ended March 31, 2022 - \$426,142) arising from stock options granted to directors, key employees and consultants has been amortized according to the graded vesting method and is reported under "Selling and administrative" expenses in the consolidated statements of loss and comprehensive loss.

The weighted-average fair value of each stock option grant is estimated at \$0.21 for the year ended March 31, 2023 (March 31, 2022 - \$0.25) and is calculated using the Black - Scholes option pricing model with the following weighted average assumptions:

Expected life:	5 years	Risk-free interest rate:	2.29% (March 31, 2022 – 0.32%)
Dividend yield:	0%	Expected Volatility:	95.43% (March 31, 2022 – 71.2%)
Average exercise price at date of grant:	\$0.39 (March 31, 2022 - \$0.60)	Average share price at date of grant:	\$0.39 (March 31, 2022 - \$0.59)

The expected volatility was calculated on the Corporation's share prices over the last 5 years.

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

13. Share capital (continued)

The following table summarizes information on stock options outstanding:

Exercise price	Options outstanding as at March 31, 2023			Options exercisable as at March 31, 2023	
	Number of options outstanding	Weighted- average remaining contractual life	Weighted- average exercise price	Number of options exercisable	Weighted- average exercise price
(\$)		(in years)	(\$)		(\$)
0.01 - 0.50	5,230,000	2.80	0.24	3,705,000	0.24
0.51 - 1.00	2,251,000	2.64	0.58	2,151,000	0.58
	<u>7,481,000</u>	2.75	0.37	<u>5,856,000</u>	0.37
Exercise price	Options outstanding as at March 31, 2022			Options exercisable as at March 31, 2022	
	Number of options outstanding	Weighted- average remaining contractual life	Weighted- average exercise price	Number of options exercisable	Weighted- average exercise price
(\$)		(in years)	(\$)		(\$)
0.01 - 0.50	3,706,000	2.98	0.24	2,831,000	0.24
0.51 - 1.00	2,271,000	3.64	0.58	1,148,500	0.59
1.01 - 1.50	200,000	0.52	1.30	200,000	1.30
	<u>6,177,000</u>	3.30	0.40	<u>4,179,500</u>	0.51

DIAGNOS Inc.
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(amounts in Canadian dollars)

14. Reserve

	Year ended March 31, 2023				
	Broker warrants	Stock warrants	Conversion options	Stock options	Total
	\$				
Balance, beginning of year	3,284	4,264,352	1,371,901	3,536,037	9,175,574
Stock-based compensation	-	-	-	167,323	167,323
Private placements	-	64,808	226,466	-	291,274
Conversion of debentures	-	-	(40,186)	-	(40,186)
Compensation	4,196	-	-	-	4,196
Issue expenses paid in cash	-	(2,420)	(6,870)	-	(9,290)
Issue expenses paid in the form of stock warrants	-	(162)	(681)	-	(843)
Balance, end of year	7,480	4,326,578	1,550,630	3,703,360	9,588,048

	Year ended March 31, 2022				
	Broker warrants	Stock warrants	Conversion options	Stock options	Total
	\$				
Balance, beginning of year	-	4,399,999	1,227,456	3,109,895	8,737,350
Stock-based compensation	-	-	-	426,142	426,142
Exercises	-	(148,238)	(51,000)	-	(199,238)
Private placements	-	13,798	214,175	-	227,973
Compensation	3,284	-	-	-	3,284
Issue expenses	-	(1,207)	(18,730)	-	(19,937)
Balance, end of year	3,284	4,264,352	1,371,901	3,536,037	9,175,574

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

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14. Reserve (continued)

Stock warrants

During the year ended March 31, 2023, as part of private placements described in note 12, 1,559,090 stock warrants were issued to the debenture holders and finders entitling the holder to purchase one Share of the Corporation per Warrant at a price of \$0.26 per Share for a period of 18 months from the date of issuance.

During the quarter ended March 31, 2022, as part of a private placement, 343,025 stock warrants were issued to the debenture holders and finders entitling the holder to purchase one Share of the Corporation per Warrant at a price of \$0.33 per Share for a period of 18 months from the date of issuance.

The following table presents the changes to the number of stock warrants:

	Year ended March 31, 2023		Year ended March 31, 2022	
	Number of stock warrants	Weighted average exercise price (\$)	Number of stock warrants	Weighted average exercise price (\$)
Balance, beginning of year	343,025	0.33	2,420,169	0.46
Private placements	1,559,090	0.26	343,025	0.33
Exercised	-	-	(1,320,169)	0.42
Expired	-	-	(1,100,000)	0.50
Balance, end of year	1,902,115	0.27	343,025	0.33

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

15. Segment information

The Corporation is active in one reportable segment; healthcare services.

Revenue by country:

	Year ended March 31,	
	2023	2022
	\$	
Canada	455,891	407,807
United States of America	21,464	27,630
Colombia	717	-
Saudi Arabia	99	1,650
Mexico	7,524	1,173
Costa Rica	54	394
Spain	-	179
	<u>485,749</u>	<u>438,833</u>

For the year ended March 31, 2023, 94% of revenue was attributable to two clients (year ended March 31, 2022 - 85% attributable to two clients).

Capital assets by country:

	As at March 31, 2023			
	Canada	India	Mexico	Total
	\$			
Cost	1,223,210	-	383,295	1,606,505
Accumulated depreciation	(974,979)	-	(383,295)	(1,358,274)
Net carrying value	<u>248,231</u>	<u>-</u>	<u>-</u>	<u>248,231</u>

	As at March 31, 2022			
	Canada	India	Mexico	Total
	\$			
Cost	1,153,499	15,181	383,295	1,551,975
Accumulated depreciation	(900,720)	(15,181)	(383,295)	(1,299,196)
Net carrying value	<u>252,779</u>	<u>-</u>	<u>-</u>	<u>252,779</u>

DIAGNOS Inc.
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(amounts in Canadian dollars)

16. Expenses by nature

	Year ended March 31,	
	2023	2022
	\$	
Audit	59,945	60,828
Bad debt	-	2,807
Communications	39,537	24,861
Consulting fees	563,342	763,080
Depreciation and amortization	101,166	105,800
Equipment	8,938	8,071
Foreign exchange	1,480	3,716
Insurance	87,945	59,837
Leasing	19,873	17,543
Legal fees	5,677	72,605
Marketing	42,787	58,705
Overhead	89,963	75,793
Remuneration	1,609,144	1,506,871
Stock-based compensation	167,324	426,142
Tax credits	(148,595)	(149,007)
Travel and living	74,235	61,140
	<u>2,722,761</u>	<u>3,098,792</u>

	Year ended March 31,	
	2023	2022
	\$	
Interest on debentures	223,743	7,935
Interest on loans	33,966	18,331
Interest on lease liabilities	21,208	27,515
Interest revenue	(7,774)	(5,381)
	<u>271,144</u>	<u>48,400</u>

17. Other income

	Year ended March 31,	
	2023	2022
	\$	
Covid government assistance program	-	81,695
Government loan programs - Grant	15,340	3,421
Office sub-rent	12,000	15,000
Other	-	25
	<u>27,340</u>	<u>100,141</u>

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

18. Income taxes

As at March 31, 2023 and March 31, 2022, income taxes recoverable are composed essentially of non-capital losses. Based on available information, it is not probable that income taxes recoverable on these amounts will be realized in the near future, therefore, no deferred tax asset was recorded in these consolidated financial statements.

	Year ended March 31,	
	2023	2022
	\$	
Income taxes	-	-
Provision for deferred income taxes		
Deferred income taxes arising from the reversal of temporary differences	(610,731)	(576,285)
Un-recognized deferred tax assets on deductible temporary differences and deferred tax losses	610,731	576,285
	-	-
Provision for income taxes	-	-

Reconciliation of tax rates:

	Year ended March 31, 2023			
	Canada	Mexico	Others and consolidation	Total
	\$			
Net loss before income taxes	(2,479,999)	-	(817)	(2,480,816)
Statutory federal and provincial tax rates	26.50%	-	26.50%	26.50%
Provision for income taxes calculated at statutory tax rates	(657,200)	-	(216)	(657,416)
Impacts of the following items:				
Non-deductible items	46,685	-	-	46,685
Un-recognized deferred tax assets on deductible temporary differences and deferred tax losses	610,515	-	216	610,731
	-	-	-	-

	Year ended March 31, 2022			
	Canada	Mexico	Others and consolidation	Total
	\$			
Net loss before income taxes	(2,607,061)	(82)	(1,075)	(2,608,218)
Statutory federal and provincial tax rates	26.50%	30.00%	26.50%	26.50%
Provision for income taxes calculated at statutory tax rates	(690,871)	(25)	(285)	(691,178)
Impacts of the following items:				
Non-deductible items	114,896	-	-	114,896
Differences in statutory federal and provincial tax rates				(3)
Un-recognized deferred tax assets on deductible temporary differences and deferred tax losses	575,975	25	285	576,285
	-	-	-	-

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

18. Income taxes (continued)

Deferred tax assets and liabilities

Changes to deferred tax assets (liabilities) related to temporary differences and unused tax losses are as follows:

	As at March 31,			
	2022	Equity	Recognized in net earnings	2023
	\$			
Non capital losses	68,911	74,562	(22,970)	120,503
Right of use asset	(56,348)	-	(1,326)	(57,674)
Lease liabilities	56,348	-	1,326	57,674
Convertible notes	(68,911)	(74,562)	22,970	(120,503)
	-	-	-	-

	As at March 31,			
	2021	Equity	Recognized in net earnings	2022
	\$			
Non capital losses	-	68,911	-	68,911
Right of use asset	(66,944)	-	10,596	(56,348)
Lease liabilities	66,944	-	(10,596)	56,348
Convertible notes	-	(68,911)	-	(68,911)
	-	-	-	-

Timing differences and unused tax losses for which no deferred tax has been recognized are as follows:

	As at March 31,			
	2023		2022	
	Canada	Mexico	Canada	Mexico
	\$			
Operating losses carried forward	25,290,960	1,206,126	23,642,373	1,206,131
SR&ED expenditures	7,410,747	-	6,705,132	-
Capital assets and intangible assets	129,279	-	128,549	-
Lease liabilities	18,250	-	16,567	-
Issue expenses	104,838	-	122,786	-
	32,954,074	1,206,126	30,615,407	1,206,131

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

18. Income taxes (continued)

Operating losses carried forward

As at March 31, 2023, the Corporation had operating tax losses available in Canada and Mexico for which no deferred assets were accounted for. The following table summarizes the expiry of the losses per fiscal jurisdiction:

	Canada	Mexico	Total
	\$		
2026	-	38,306	38,306
2027	-	238,444	238,444
2028	-	569,361	569,361
2029	1,410,755	267,948	1,678,703
2030	1,557,265	90,904	1,648,169
2031	854,107	1,163	855,270
2032	1,491,048	-	1,491,048
2033	1,314,504	-	1,314,504
2034	850,637	-	850,637
2035	1,948,091	-	1,948,091
2036	1,972,657	-	1,972,657
2037	1,496,200	-	1,496,200
2038	1,885,531	-	1,885,531
2039	2,660,713	-	2,660,713
2040	2,450,594	-	2,450,594
2041	1,792,423	-	1,792,423
2042	1,763,162	-	1,763,162
2043	1,843,273	-	1,843,273
	25,290,960	1,206,126	26,497,086

As at March 31, 2023, the Corporation also has investment tax credits totalling \$2,179,359 (March 31, 2022 - \$2,075,284) available to offset future Canadian federal income taxes payable. The potential benefit of the investment tax credits has not been recognized in the accounts.

19. Net change in operating working capital items

The changes in working capital items are as follows:

	Year ended March 31,	
	2023	2022
	\$	
Decrease (increase) in accounts receivable	82,960	(142,237)
Decrease in prepaid expenses	6,767	4,456
(Decrease) increase in accounts payable and accrued liabilities	(2,632)	120,306
Increase in deferred revenue	43	2,500
	87,138	(14,975)

DIAGNOS Inc.
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March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

20. Financial instruments and risk management

a) Presentation

As at March 31, 2023

	Amortized cost		Fair value through other comprehensive income		Total	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
	\$					
Financial assets						
Cash	296,639	296,639	-	-	296,639	296,639
Accounts receivable	92,144	92,144	-	-	92,144	92,144
Financial liabilities						
Accounts payable and accrued liabilities	320,141	320,141	-	-	320,141	320,141
Loans	372,266	372,266	-	-	372,266	372,266
Convertible debentures	1,696,362	1,696,362	-	-	1,696,362	1,696,362

As at March 31, 2022

	Amortized cost		Fair value through other comprehensive income		Total	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
	\$					
Financial assets						
Cash	420,914	420,914	-	-	420,914	420,914
Short-term investments	500,000	500,000	-	-	500,000	500,000
Accounts receivable	188,443	188,443	-	-	188,443	188,443
Financial liabilities						
Accounts payable and accrued liabilities	282,941	282,941	-	-	282,941	282,941
Loans	283,010	283,010	-	-	283,010	283,010
Convertible Debentures	673,565	673,565	-	-	673,565	673,565

DIAGNOS Inc.
Notes to Consolidated Financial Statements

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(amounts in Canadian dollars)

20. Financial instruments and risk management (continued)

b) Fair value hierarchy

Financial instruments

Financial instruments recorded at fair value in the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following tables present fair value hierarchy described above:

	As at March 31, 2023			
	Level 1	Level 2	Level 3	Total financial liabilities
			\$	
Financial liabilities				
Loans	-	372,266	-	372,266
Convertible debentures	-	1,696,362	-	1,696,362
Total financial liabilities	-	2,068,628	-	2,068,628

During the period, there has been no transfer of amounts between Level 1 and Level 2.

	As at March 31, 2022			
	Level 1	Level 2	Level 3	Total financial assets at fair value
			\$	
Financial assets				
Short-term investments	500,000	-	-	500,000

	Level 1	Level 2	Level 3	Total financial liabilities
			\$	
Financial liabilities				
Loans	-	283,010	-	283,010
Convertible debentures	-	673,565	-	673,565
Total financial liabilities	-	956,575	-	956,575

The Corporation has determined that the fair value of its current financial assets and liabilities measured at amortized cost approximate their carrying amounts as at the balance sheet dates because of their short-term maturity.

The fair value of loans and convertible debentures was estimated by discounting expected cash flows at rates offered to the Corporation for debts of the same remaining maturities and conditions.

DIAGNOS Inc.
Notes to Consolidated Financial Statements

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20. Financial instruments and risk management (continued)

Non financial instruments

The fair value of leases was \$235,886 as at March 31, 2023 (\$229,203 as at March 31, 2022) and estimated by discounting expected cash flows at rates currently offered to the Corporation for debts of the same remaining maturities and conditions.

c) Risks

The Corporation is exposed to certain risks which could have a material impact on its ability to achieve its strategic growth objectives. The Corporation strives to control and mitigate its business and financial risks through management practices that require the ongoing evaluation, identification and implementation of risk mitigating measures that help reduce or eliminate risks related to its business operations.

The following describes the Corporation's main financial risks:

i. Credit Risks

In the normal course of business, the Corporation's exposure to credit risk results from the possibility that a customer or financial institution may default, in part or in whole, on their financial obligations, as they come due.

Cash and short-term investments

Cash as well as short-term investments are mainly risk-free or low-risk investments, such as cash and guaranteed term deposits held by recognized financial institutions. Consequently, management considers the credit risk related to cash and short-term investments to be low as at March 31, 2023 and March 31, 2022.

Clients, advances and demand loan

The Corporation determines whether the credit risk of a financial asset has increased significantly since initial recognition considering reasonable and supportable information that is relevant and available without undue cost or effort, this includes both quantitative and qualitative information and analysis, based on the historical experience and informed assessment and including forward-looking information.

The Corporation assumes that the credit risk on financial asset has increased significantly if it is more than 90 days past due.

The Corporation considers a financial asset to be in default when the customer, or the debtor, is unlikely to fulfill the credit obligation to the Corporation in full, without recourse by the Corporation to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

As at March 31, 2023, the demand loan of \$20,000 (March 31, 2022 - \$43,433) is in default of reimbursement. However the credit risk remains low due to the fact that the debtor of the loan is an officer of the Corporation and that it is secured by 200,000 common shares of the Corporation held by the debtor.

As at March 31, 2023, the credit risk related to the sales commissions advance of \$20,495 (March 31, 2022 - \$20,704) is high due to the absence of security.

As at March 31, 2023, 57% of accounts receivable from clients was attributable to three clients active in the vision care industry (93% as at March 31, 2022, from one client active in the vision care industry). It should be noted that given the specialization of the Corporation's market niche, it is most likely that such concentration risk is expected to continue. However, from one year to the next, it is rare that the same clients make up this concentration. Despite the concentration of its clients, the credit risk is mitigated through monitoring of its clients and the additional measures available to the Corporation, as previously described.

Additionally, as at March 31, 2023:

- 1% of the net accounts receivable are over 90 days old (1% as at March 31, 2022);
- accounts receivable from clients exceeding the normal payment terms of 30 days represented 1% of the net accounts receivable from clients (1% as at March 31, 2022).

Management is reasonably assured that its receivables will be collected and therefore considers the credit risk related to accounts receivable to be low as at March 31, 2023 and March 31, 2022.

DIAGNOS Inc.
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March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

20. Financial instruments and risk management (continued)

ii. Liquidity Risks

Liquidity risk is the risk that the Corporation cannot meet its obligations as they come due. On an ongoing basis, the Corporation monitors and manages its actual and projected cash flows, with the primary objectives of maintaining liquidity and financial flexibility. In addition, the Corporation's policy is to target contracts that will generate positive cash flows throughout their execution.

The following are the contractual maturities of liabilities and commitments as at the end of the reporting date:

	As at March 31, 2023			
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Overs 5 years
Accounts payable and accrued liabilities	320,141	-	-	-
Loans	174,586	25,724	77,173	94,783
Leases	104,651	103,238	64,323	-
Convertible debentures	-	930,000	1,200,000	-
Interests	194,400	194,400	102,500	-
	793,778	1,253,362	1,443,996	94,783

	As at March 31, 2022			
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Overs 5 years
Accounts payable and accrued liabilities	282,941	-	-	-
Loans	125,000	50,312	35,840	71,858
Leases	85,585	75,738	110,428	-
Convertible debentures	-	-	930,000	-
Interests	83,775	74,400	74,400	-
	577,301	200,450	1,150,668	71,858

Considering the available liquidities to meet current obligations, the Corporation's exposure to liquidity risk is high as at March 31, 2023. The available liquidity to meet near term obligations is dependent on the Corporation's ability in securing additional financing and achieving and maintaining profitable operations. Refer to going concern assumptions in note 0 and subsequent events in note 22.

iii. Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Corporation's cash flows, financial position and income. Interest rate changes directly impact the fair value of the fixed interest rate accounts of the financial statements.

The Corporation is not exposed to interest risk since its financial instruments bear interest at fixed rate and are presented at amortized cost.

iv. Other Price Risk

Other price risk refers to the adverse consequences of stock price changes on the Corporation's investments in shares. Investments in shares are composed of shares of private corporations. As at March 31, 2023 and March 31, 2022, the Corporation is not exposed to price risk since its investments in shares are valued at 0\$.

DIAGNOS Inc.
Notes to Consolidated Financial Statements

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(amounts in Canadian dollars)

20. Financial instruments and risk management (continued)

v. Exchange Rate Fluctuations Risk

Exchange rate fluctuations risk refers to the adverse consequences of exchange rate changes on the Corporation's cash flows, financial position and income. During the year, revenues and expenses arose from transactions occurring mainly in Canadian dollars.

The Corporation is exposed to fluctuations in the currency rates of four currencies; USD, MXN, INR and EUR. Movements in foreign currencies against the Canadian dollar may impact revenues, the nominal amount of certain financial assets and financial liabilities, and negatively affect the Corporation's profit or loss.

As at March 31, 2023 and March 31, 2022, the following balances presented within the statement of financial position are denominated in a currency different from the functional currency used in each entities of the group and, as such, are exposed to exchange rate fluctuation risk:

	As at March 31,	
	2023	2022
	Amounts in CAD	
Bank account - USD	2,401	3,757
Petty cash - EURO	616	-
Bank account - INR	-	838
Accounts receivable - USD	15,930	4,855
Accounts receivable - AED	-	107
Accrued liabilities - MXN	(17,905)	(16,874)
Accounts payable - INR	(10)	(41)
Accounts payable - USD	(1,937)	(2,594)
Accounts payable - MXN	(9,300)	-
	<u>(10,205)</u>	<u>(9,952)</u>

Assuming that all other variables remain constant, a 10% increase or decrease in the exchange rate of the Canadian dollar, against other currencies, would not have a significant impact on the Corporation's net loss and equity for the years ended March 31, 2023 and March 31, 2022.

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(amounts in Canadian dollars)

21. Related party transactions

The Corporation's related parties include its subsidiaries as well as the Corporation's key management personnel such as directors and officers.

The following table presents the transactions with key management personnel:

	Year ended March 31,	
	2023	2022
	\$	
Base salary	383,826	379,583
Stock-based compensation	109,100	317,691
Incentives	50,000	32,373
Loan reimbursement	(23,500)	-
Interest on demand loan	800	1,740
Payment of interest on demand loan	(800)	(1,740)
	519,426	729,647

The following table present the outstanding balances with key management personnel:

	As at March 31,	
	2023	2022
	\$	
Demand loan receivable, annual interest rate of 4%	20,000	43,500
Sales commission advance, no interest	20,554	20,704

The outstanding balances with key management personnel varied as follows:

	Year ended March 31, 2023	
	Demand loan receivable, annual interest of 4%	Sales commissions advance, no interest
	\$	
Balance, beginning of year	43,500	20,704
Reimbursement	(23,500)	(209)
Balance, end of year	20,000	20,495
	Year ended March 31, 2022	
	Demand loan receivable, annual interest of 4%	Sales commissions advance, no interest
	\$	
Balance, beginning of year	43,500	20,841
Reimbursement	-	(137)
Balance, end of year	43,500	20,704

DIAGNOS Inc.
Notes to Consolidated Financial Statements

March 31, 2023 and March 31, 2022

(amounts in Canadian dollars)

22. Subsequent events

On May 18, 2023, the Corporation closed a non-brokered private placement (“Private Placement”) consisting of unsecured convertible debentures (each a “Debenture”) and stock warrants (each a “Warrant”) for gross proceeds of \$865,000. The Debentures have a term of 24 months ending May 18, 2025 (the “Term”) and bear interest at the annual rate of 10%. At the option of the Debenture holder, the principal amount of the Debenture may be converted, at any time during the Term, into common shares of the Corporation (each a “Share”) at a price of \$0.37 per Share. Any accrued interest on the principal, at time of conversion, will be immediately payable in cash. An aggregate number of 865,000 Warrants have been issued as part of the Private Placement. Each Warrant entitles the holder to purchase one Share at a price of \$0.45 per Share, for a period of 18 months ending November 18, 2024.

Also, the Corporation received an aggregate amount of \$257,000 from the exercises of stock warrants and stock options during the month of May 2023.

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Stock Exchange Listing

The common shares of DIAGNOS Inc. are listed on the TSX Venture Exchange under the symbol ADK and on the OTCQB under the symbol DGNOF.

Transfer Agents and Registrar

Computershare Trust Company of Canada

Auditor

Raymond Chabot Grant Thornton LLP