

DIAGNOS

DIAGNOS Inc.

Interim Condensed Consolidated Financial Statements - Unaudited
Three-month and Six-month Periods ended September 30, 2023

Note to reader: These Interim Condensed Consolidated Financial Statements have not been reviewed by our auditor.

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

	Note	As at	
		September 30, 2023	March 31, 2023
		\$	
ASSETS			
Current			
Cash		139,395	296,639
Short-term investments		300,000	-
Accounts receivable	5	126,848	263,269
Prepaid expenses		69,984	14,892
		<u>636,227</u>	<u>574,800</u>
Non-current			
Capital assets	7	318,728	248,231
Total assets		<u>954,955</u>	<u>823,031</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	6	518,850	460,014
Deferred revenue		22,381	6,710
Loans		184,550	168,888
Leases	7	83,159	83,159
		<u>808,940</u>	<u>718,771</u>
Non-current			
Loans		191,044	203,378
Leases	7	230,430	152,727
Convertible debentures	8	2,476,743	1,696,362
		<u>2,898,217</u>	<u>2,052,467</u>
Total liabilities		<u>3,707,157</u>	<u>2,771,238</u>
SHAREHOLDERS' DEFICIENCY			
Share capital	9	36,483,978	35,914,525
Reserve	10	9,716,362	9,588,048
Deficit		(49,028,122)	(47,526,360)
Foreign exchange differences		75,580	75,580
		<u>(2,752,202)</u>	<u>(1,948,207)</u>
Total liabilities and shareholders' deficiency		<u>954,955</u>	<u>823,031</u>

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

Approved by the Board of Directors;

(signed) André Larente
Director

(signed) Francis Bellido
Director

DIAGNOS Inc.

Interim Consolidated Statements of Loss and Comprehensive Loss

(amounts in Canadian dollars)

	Note	Three-month period ended September 30,		Six-month period ended September 30,	
		2023	2022	2023	2022
		\$		\$	
Revenue	11	32,707	146,533	76,030	295,547
Expenses					
Costs of services and research and development		279,567	192,406	496,135	437,326
Selling and administrative		370,463	428,486	838,143	1,010,143
	12	650,030	620,892	1,334,278	1,447,469
Loss before other items		(617,323)	(474,359)	(1,258,248)	(1,151,922)
Other income		9,030	6,257	16,602	12,478
Interest expense		(141,297)	(52,608)	(260,116)	(98,424)
Net loss		(749,590)	(520,710)	(1,501,762)	(1,237,868)
Basic and diluted net loss per share		(0.01)	(0.01)	(0.02)	(0.02)
Weighted-average number of common shares outstanding		72,264,803	69,474,151	71,684,543	69,474,151

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

DIAGNOS Inc.
Interim Consolidated Statements of Changes in Equity
(amounts in Canadian dollars)

Six-month period ended September 30, 2023

	Share capital	Reserve	Deficit	Investments revaluation reserve	Foreign exchange differences	Total shareholders' deficiency
note	9	10				
	\$					
Balance, beginning of period	35,914,525	9,588,048	(47,526,360)	-	75,580	(1,948,207)
Net loss	-	-	(1,501,762)	-	-	(1,501,762)
Issuance of common shares	569,453	(81,602)	-	-	-	487,851
Issuance of warrants	-	30,163	-	-	-	30,163
Conversion options	-	96,087	-	-	-	96,087
Issue expenses	-	(3,098)	-	-	-	(3,098)
Stock-based compensation expense	-	86,764	-	-	-	86,764
Balance, end of period	36,483,978	9,716,362	(49,028,122)	-	75,580	(2,752,202)

Six-month period ended September 30, 2022

	Share capital	Reserve	Deficit	Investments revaluation reserve	Foreign exchange differences	Total shareholders' deficiency
	\$					
Balance, beginning of period	35,679,831	9,175,574	(44,992,462)	(53,082)	76,629	(113,510)
Net loss	-	-	(1,237,868)	-	-	(1,237,868)
Issuance of warrants	-	52,500	-	-	-	52,500
Conversion options	-	17,803	-	-	-	17,803
Issue expenses	-	(502)	-	-	-	(502)
Stock-based compensation expense	-	71,884	-	-	-	71,884
Balance, end of period	35,679,831	9,317,259	(46,230,330)	(53,082)	76,629	(1,209,693)

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

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

	Six-month period ended September 30,	
	2023	2022
	\$	
Cash flows from operating activities		
Net loss	(1,501,762)	(1,237,868)
Items not affecting cash		
Depreciation of capital assets	56,657	53,622
Accretion on leases	13,316	11,131
Accretion on convertible debentures	100,235	35,122
Accretion on governmental loan	12,522	7,233
Governmental grant amortization	(9,194)	(6,478)
Stock-based compensation expense	86,764	71,884
	<u>(1,241,462)</u>	<u>(1,065,354)</u>
Payment of interest	109,901	43,529
Net change in operating working capital items	155,836	38,616
	<u>(975,725)</u>	<u>(983,209)</u>
Cash flows from investing activities		
Proceeds from disposal of short-term investments	300,000	500,000
Acquisition of short term investments	(600,000)	-
Additions to capital assets	(7,279)	(4,812)
	<u>(307,279)</u>	<u>495,188</u>
Cash flows from financing activities		
Issuance of convertible debentures and warrants, net of issue expenses	843,775	347,500
Issuance of common shares, net of issue expenses	447,374	-
Lease payments	(55,488)	(43,212)
Payment of interest	(109,901)	(43,529)
	<u>1,125,760</u>	<u>260,759</u>
Net change in cash	<u>(157,244)</u>	<u>(227,262)</u>
Cash, beginning of period	296,639	420,914
Cash, end of period	<u>139,395</u>	<u>193,652</u>

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

DIAGNOS Inc.
Notes to Interim Condensed Consolidated Financial Statements
September 30, 2023, March 31, 2023 and September 30, 2022
(amounts in Canadian dollars)

1. Going concern assumption

These interim condensed 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.

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
- 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 September 30, 2023, the Corporation is current in its payroll taxes and is not in default with regards to its debt.

These interim condensed consolidated financial statements 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 interim condensed consolidated financial statements have been approved and authorized for filing by the Board of Directors of the Corporation on November 28, 2023.

3. Basis of consolidation and summary of accounting policies

Basis of consolidation

These interim condensed 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 quarter end as well as accounting policies are aligned with those adopted by the Corporation.

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

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

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

DIAGNOS Inc.
Notes to Interim Condensed Consolidated Financial Statements
September 30, 2023, March 31, 2023 and September 30, 2022
(amounts in Canadian dollars)

3. Basis of consolidation and summary of accounting policies (continued)

Summary of accounting policies

These interim condensed consolidated financial statements were prepared in accordance with standard IAS 34 – Interim Financial Reporting and do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). They, however, include specific complimentary notes in order to provide information necessary to assess the financial situation of the Corporation at period end since its last annual consolidated financial statements dated March 31, 2023.

The accounting policies used to prepare these interim condensed consolidated financial statements are those described in the last annual consolidated financial statements of the Corporation and have been applied throughout the period unless otherwise stated.

4. Critical accounting judgments and key sources of estimation uncertainty

In preparing these interim condensed consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

5. Accounts receivable

	As at	
	September 30, 2023	March 31, 2023
	\$	
Customers	13,706	50,191
Tax credits on research and development expenses	50,000	148,595
Demand loan bearing annual interest rate of 4%	20,000	20,000
Advances, no interest bearing	19,708	20,495
Sales taxes	21,977	22,530
Others	1,457	1,458
	<u>126,848</u>	<u>263,269</u>

During the quarter ended September 30, 2023, the Corporation received a tax credit amount of \$148,595 on research and development expenses for the fiscal year ended March 31, 2023.

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

DIAGNOS Inc.
Notes to Interim Condensed Consolidated Financial Statements

September 30, 2023, March 31, 2023 and September 30, 2022

(amounts in Canadian dollars)

6. Accounts payable and accrued liabilities

As at,

	September 30, 2023	March 31, 2023
	\$	
Suppliers	331,606	288,213
Interests	62,639	31,928
Salaries and benefits	124,605	139,873
	<u>518,850</u>	<u>460,014</u>

7. Leases

As at

	September 30, 2023	March 31, 2023
	\$	
Finance leases	313,589	235,886
Leases - short term	83,159	83,159
Leases - long term	230,430	152,727

During the quarter ended September 30, 2023, the Corporation entered into one lease agreement for computer equipment. The minimum monthly payment amounts to \$2,457 for a term of 60 months ending in August 2028. The cost of the equipment under the lease of \$119,875 is included in capital assets as part of right-of-use assets.

The following table presents a reconciliation of changes in leases:

	Six-month period ended September 30,	
	2023	2022
	\$	
Balance, beginning of period	235,886	229,203
Computer equipment	119,875	-
Accretion	13,316	11,131
Payments	(55,488)	(43,212)
Balance, end of period	313,589	197,122

DIAGNOS Inc.
Notes to Interim Condensed Consolidated Financial Statements
September 30, 2023, March 31, 2023 and September 30, 2022
(amounts in Canadian dollars)

8. Convertible debentures

	As at	
	September 30, 2023	March 31, 2023
	\$	
Unsecured convertible debentures	2,945,000	2,130,000
Fair value discount	(415,736)	(384,344)
Issue expenses	(52,521)	(49,294)
	2,476,743	1,696,362

During the quarter ended June 30, 2023, as part of a private placement, the Corporation issued unsecured convertible debentures (each a "Q1-Debenture") for gross proceeds of \$865,000. The Q1-Debentures bear interest at an annual rate of 10%, and will mature on May 18, 2025. At the sole option of the Q1-Debenture holders, the principal amount of the Q1-Debentures may be converted at any time into common shares of the Corporation at a price of \$0.37 per common share. As part of the private placement, 865,000 stock warrants were issued to the Q1-Debenture holders entitling the holder to purchase one common share of the Corporation per stock warrant at a price of \$0.45 per common share for a period of 18 months ending November 18, 2024.

The fair value of the Q1-Debentures has been established at \$738,750 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity:	2 years	Nominal interest rate:	10%
Interest payment frequency:	2 per year	Effective interest rate:	19.94%

Of the difference of \$126,250 between the nominal value of the Q1-Debentures, \$865,000, and the fair value of \$738,750, an amount of \$96,087 has been allocated to the conversion options and an amount of \$30,163 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:	2 years	Risk-free interest rate:	4.64%
Liquidity discount:	25%	Volatility:	87.74%

Stock warrants:

Expected life:	18 months	Risk-free interest rate:	5.14%
Liquidity discount:	25%	Volatility:	89.90%

DIAGNOS Inc.
Notes to Interim Condensed Consolidated Financial Statements
September 30, 2023, March 31, 2023 and September 30, 2022
(amounts in Canadian dollars)

8. Convertible debentures (continued)

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

	Six-month period ended September 30,	
	2023	2022
	\$	
Balance, beginning of period	1,696,362	673,565
Proceeds from private placement	865,000	350,000
Fair value discount	(126,250)	(70,303)
Accretion	100,235	35,122
Issue expenses paid in cash	(18,127)	(1,998)
Conversion into common shares	(50,000)	-
Accretion on conversion	9,523	-
Balance, end of period	2,476,743	986,386

9. Share capital

Share capital is composed of common shares without par value of which 72,478,311 are issued and outstanding as at September 30, 2023 (March 31, 2023 – 70,610,514). 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 six-month period ended September 30, 2023:

	Number of common shares	\$
Balance, beginning of period	70,610,514	35,914,525
Exercise of stock warrants	1,590,525	437,373
Fair value of stock warrants exercised	-	73,341
Conversion of debentures	227,272	48,738
Exercise of stock options	50,000	10,001
Balance, end of period	72,478,311	36,483,978

Notes to Interim Condensed Consolidated Financial Statements

September 30, 2023, March 31, 2023 and September 30, 2022

(amounts in Canadian dollars)

10. Reserve

	Six-month period ended September 30, 2023				
	Broker warrants	Stock warrants	Conversion options	Stock options	Total
	\$				
Balance, beginning of period	7,480	4,326,578	1,550,630	3,703,360	9,588,048
Stock-based compensation	-	-	-	86,764	86,764
Exercises	-	(73,341)	-	-	(73,341)
Private placement	-	30,163	96,087	-	126,250
Conversion	-	-	(8,261)	-	(8,261)
Issue expenses paid in cash	-	(2,358)	(740)	-	(3,098)
Balance, end of period	7,480	4,281,042	1,637,716	3,790,124	9,716,362

	Six-month period ended September 30, 2022				
	Broker warrants	Stock warrants	Conversion options	Stock options	Total
	\$				
Balance, beginning of period	3,284	4,264,352	1,371,901	3,536,037	9,175,574
Stock-based compensation	-	-	-	71,884	71,884
Private placement	-	52,500	17,803	-	70,303
Issue expenses paid in cash	-	(375)	(127)	-	(502)
Balance, end of period	3,284	4,316,477	1,389,577	3,607,921	9,317,259

DIAGNOS Inc.
Notes to Interim Condensed Consolidated Financial Statements

September 30, 2023, March 31, 2023 and September 30, 2022

(amounts in Canadian dollars)

11. Segment information

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

Revenue by country:

	Three-month period ended September 30,		Six-month period ended September 30,	
	2023	2022	2023	2022
	\$		\$	
Canada	21,777	141,477	52,022	284,376
United States of America	3,489	4,097	9,706	9,688
Mexico	3,425	950	7,972	1,335
Chile	4,016	-	6,330	-
Others	-	9	-	148
	<u>32,707</u>	<u>146,533</u>	<u>76,030</u>	<u>295,547</u>

For the six-month period ended September 30, 2023, 75% of revenue were attributable to three clients (six-month period ended September 30, 2022 - 86% attributable to one client).

12. Expenses by nature

	Three-month period ended September 30,		Six-month period ended September 30,	
	2023	2022	2023	2022
	\$		\$	
Audit	9,177	6,395	60,050	59,945
Communications	6,968	12,591	15,221	20,587
Consulting fees	135,557	124,564	201,242	344,483
Depreciation and amortization	28,556	26,317	56,657	53,622
Equipment	1,189	1,800	3,091	4,208
Foreign exchange	396	(861)	4,978	14
Insurance	19,025	18,806	37,912	50,742
Leasing	8,833	4,429	18,122	10,446
Legal fees	1,870	740	2,128	740
Marketing	10,161	13,405	19,687	17,927
Overhead	10,321	17,923	38,908	31,969
Remuneration	384,674	370,882	811,369	794,434
Stock-based compensation	43,382	38,517	86,764	71,884
Tax credits	(25,000)	(30,000)	(50,000)	(55,000)
Travel and living	14,921	15,384	28,149	41,468
	<u>650,030</u>	<u>620,892</u>	<u>1,334,278</u>	<u>1,447,469</u>

13. Financial instruments and risk management

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 September 30, 2023 and March 31, 2023.

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.

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 September 30, 2023 and March 31, 2023.

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.

Considering the available liquidities to meet its current obligations, the Corporation's exposure to liquidity risk is low as at September 30, 2023 and March 31, 2023. However, 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 note 1 - going concern assumption.

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. 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 period, revenues and expenses arose from transactions occurring mainly in Canadian dollars.

Notes to Interim Condensed Consolidated Financial Statements

September 30, 2023, March 31, 2023 and September 30, 2022

(amounts in Canadian dollars)

14. Related party transactions

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

The following table presents the transactions with key management personnel:

	Three-month period ended		Six-month period ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$		\$	
Base salary	84,775	82,500	169,550	165,000
Stock-based compensation	24,978	23,050	49,956	46,099
Incentives	-	-	-	10,000
Interest on demand loan	200	200	400	400
Payment of interest on demand loan	(200)	(200)	(400)	(400)
	<u>109,753</u>	<u>105,550</u>	<u>219,506</u>	<u>221,099</u>

DIAGNOS Inc.

Head Office

7005 Taschereau Blvd.
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450 678-8882 or 877 678-8882

Stock Exchange Listings

TSX Venture Exchange: ADK
OTCQB: DGNOF

Transfer Agent and Registrar

Computershare Trust Company of Canada