

DIAGNOS

DIAGNOS Inc.

Interim Condensed Consolidated Financial Statements - Unaudited
Three-month and Nine-month Periods ended December 31, 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)

		As at	
		December 31, 2023	March 31, 2023
		\$	
Note			
ASSETS			
Current			
	Cash	105,201	296,639
	Short-term investments	200,000	-
5	Accounts receivable	198,061	263,269
	Prepaid expenses	48,132	14,892
		<u>551,394</u>	<u>574,800</u>
Non-current			
	Capital assets	286,702	248,231
	Total assets	<u>838,096</u>	<u>823,031</u>
LIABILITIES			
Current			
6	Accounts payable and accrued liabilities	501,232	460,014
	Deferred revenue	20,266	6,710
	Loans	185,008	168,888
7	Leases	83,159	83,159
		<u>789,665</u>	<u>718,771</u>
Non-current			
	Loans	188,187	203,378
7	Leases	207,095	152,727
8	Convertible debentures	2,534,810	1,696,362
		<u>2,930,092</u>	<u>2,052,467</u>
	Total liabilities	<u>3,719,757</u>	<u>2,771,238</u>
SHAREHOLDERS' DEFICIENCY			
9	Share capital	36,999,677	35,914,525
10	Reserve	9,881,246	9,588,048
	Deficit	(49,838,164)	(47,526,360)
	Foreign exchange differences	75,580	75,580
		<u>(2,881,661)</u>	<u>(1,948,207)</u>
	Total liabilities and shareholders' deficiency	<u>838,096</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 December 31,		Nine-month period ended December 31,	
		2023	2022	2023	2022
		\$		\$	
Revenue	11	52,130	121,917	128,160	417,464
Expenses					
Costs of services and research and development		251,831	160,170	747,966	597,496
Selling and administrative		479,179	408,947	1,317,322	1,419,090
	12	731,010	569,117	2,065,288	2,016,586
Loss before other items		(678,880)	(447,200)	(1,937,128)	(1,599,122)
Other income		7,158	7,340	23,760	19,818
Interest expense		(138,320)	(74,121)	(398,436)	(172,545)
Net loss		(810,042)	(513,981)	(2,311,804)	(1,751,849)
Basic and diluted net loss per share		(0.01)	(0.01)	(0.03)	(0.03)
Weighted-average number of common shares outstanding		72,968,411	69,474,151	72,114,056	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)

Nine-month period ended December 31, 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	-	-	(2,311,804)	-	-	(2,311,804)
Issuance of common shares	1,085,152	(83,201)	-	-	-	1,001,951
Issuance of warrants	-	153,263	-	-	-	153,263
Conversion options	-	96,087	-	-	-	96,087
Issue expenses	-	(3,097)	-	-	-	(3,097)
Stock-based compensation expense	-	130,146	-	-	-	130,146
Balance, end of period	36,999,677	9,881,246	(49,838,164)	-	75,580	(2,881,661)

Nine-month period ended December 31, 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	-	-	(1,751,849)	-	-	(1,751,849)
Issuance of warrants	-	48,304	-	-	-	48,304
Conversion options	-	196,950	-	-	-	196,950
Issue expenses	-	(7,171)	-	-	-	(7,171)
Stock-based compensation expense	-	107,826	-	-	-	107,826
Balance, end of period	35,679,831	9,521,483	(46,744,311)	(53,082)	76,629	(1,519,450)

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)

	Note	Nine-month period ended December 31,	
		2023	2022
		\$	
Cash flows from operating activities			
Net loss		(2,311,804)	(1,751,849)
Items not affecting cash			
Depreciation of capital assets		92,544	79,504
Accretion on leases		21,207	16,088
Accretion on convertible debentures		158,302	61,402
Accretion on governmental loan		18,568	12,510
Governmental grant amortization		(13,352)	(10,818)
Stock-based compensation expense		130,146	107,826
		(1,904,389)	(1,485,337)
Payment of interest		189,304	47,039
Net change in operating working capital items		86,742	(76,017)
		(1,628,343)	(1,514,315)
Cash flows from investing activities			
Proceeds from disposal of short-term investments		600,000	-
Acquisition of short term investments		(800,000)	-
Additions to capital assets		(8,980)	(6,123)
		(208,980)	(6,123)
Cash flows from financing activities			
Issuance of convertible debentures and warrants, net of issue expenses	8, 10	843,775	1,168,500
Issuance of common shares, net of issue expenses	9	1,084,574	-
Issuance of loans		-	206,330
Repayment of loans		(4,287)	-
Lease payments		(88,874)	(65,696)
Payment of interest		(189,304)	(47,039)
		1,645,884	1,262,095
Net change in cash		(191,439)	(258,343)
Cash and cash equivalents, beginning of period		296,639	920,914
Cash and cash equivalents, end of period		105,200	662,571

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

DIAGNOS Inc.
Notes to Interim Condensed Consolidated Financial Statements

December 31, 2023, March 31, 2023 and December 31, 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 December 31, 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 and other eye-related pathologies.

These interim condensed consolidated financial statements have been approved and authorized for filing by the Board of Directors of the Corporation on February 28, 2024.

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
December 31, 2023, March 31, 2023 and December 31, 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	
	December 31, 2023	March 31, 2023
	\$	
Customers	56,787	50,191
Tax credits on research and development expenses	75,000	148,595
Demand loan bearing annual interest rate of 4%	20,000	20,000
Advances, no interest bearing	19,083	20,495
Sales taxes	24,251	22,530
Others	2,940	1,458
	<u>198,061</u>	<u>263,269</u>

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

December 31, 2023, March 31, 2023 and December 31, 2022

(amounts in Canadian dollars)

6. Accounts payable and accrued liabilities

	As at,	
	December 31, 2023	March 31, 2023
	\$	
Suppliers	339,115	288,213
Interests	61,212	31,928
Salaries and benefits	100,905	139,873
	501,232	460,014

7. Leases

	As at	
	December 31, 2023	March 31, 2023
	\$	
Finance leases	290,254	235,886
Leases - short term	83,159	83,159
Leases - long term	207,095	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:

	Nine-month period ended December 31,	
	2023	2022
	\$	
Balance, beginning of period	235,886	229,203
Office space	2,160	-
Computer equipment	119,875	10,270
Accretion	21,207	16,088
Payments	(88,874)	(65,696)
Balance, end of period	290,254	189,865

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

8. Convertible debentures

	As at	
	December 31, 2023	March 31, 2023
	\$	
Unsecured convertible debentures	2,945,000	2,130,000
Fair value discount	(365,179)	(384,344)
Issue expenses	(45,011)	(49,294)
	2,534,810	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

December 31, 2023, March 31, 2023 and December 31, 2022

(amounts in Canadian dollars)

8. Convertible debentures (continued)

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

	Nine-month period ended December 31,	
	2023	2022
	\$	
Balance, beginning of period	1,696,362	673,565
Proceeds from private placement	865,000	1,200,000
Fair value discount	(126,250)	(241,058)
Accretion	158,302	61,402
Issue expenses paid in cash	(18,127)	(28,525)
Conversion into common shares	(50,000)	-
Accretion on conversion	9,523	-
Balance, end of period	2,534,810	1,665,384

9. Share capital

Share capital is composed of common shares without par value of which 74,357,028 are issued and outstanding as at December 31, 2023 (March 31, 2023 – 70,610,514). All the common shares have identical rights with respect to the distribution of dividends and the repayment of capital. Each common 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 nine-month period ended December 31, 2023:

	Number of common shares	\$
Balance, beginning of period	70,610,514	35,914,525
Exercise of stock warrants	1,640,525	450,373
Fair value of stock warrants exercised	-	74,940
Private placement, net of issue expenses	1,828,717	624,201
Conversion of debentures	227,272	48,738
Fair value of stock warrants issued	-	(123,100)
Exercise of stock options	50,000	10,000
Balance, end of period	74,357,028	36,999,677

During the quarter ended December 31, 2023, as part of a private placement of units, the Corporation issued 1,828,717 common shares and 914,356 stock warrants.

DIAGNOS Inc.
Notes to Interim Condensed Consolidated Financial Statements

December 31, 2023, March 31, 2023 and December 31, 2022

(amounts in Canadian dollars)

10. Reserve

	Nine-month period ended December 31, 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	-	-	-	130,146	130,146
Conversion	-	-	(8,261)	-	(8,261)
Exercises	-	(74,940)	-	-	(74,940)
Private placements	-	153,263	96,087	-	249,350
Issue expenses paid in cash	-	(740)	(2,357)	-	(3,097)
Balance, end of period	7,480	4,404,161	1,636,099	3,833,506	9,881,246

	Nine-month period ended December 31, 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	-	-	-	107,826	107,826
Private placement	-	44,108	196,950	-	241,058
Issue expenses	4,196	(1,361)	(5,810)	-	(2,975)
Balance, end of period	7,480	4,307,099	1,563,041	3,643,863	9,521,483

During the quarter ended December 31, 2023, as part of a private placement of units, the Corporation issued 914,356 stock warrants to purchase 914,356 common shares until June 4, 2025. The fair value of the stock warrants has been established at \$123,100 using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life:	18 months	Risk-free interest rate:	5.10%
Liquidity discount:	25%	Volatility:	83.65%

DIAGNOS Inc.
Notes to Interim Condensed Consolidated Financial Statements

December 31, 2023, March 31, 2023 and December 31, 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 December 31,		Nine-month period ended December 31,	
	2023	2022	2023	2022
	\$		\$	
Canada	38,137	116,025	90,159	400,401
United States of America	2,531	3,299	12,237	12,987
Mexico	7,350	1,871	15,322	3,206
Chile	4,112	-	10,442	-
Others	-	722	-	870
	<u>52,130</u>	<u>121,917</u>	<u>128,160</u>	<u>417,464</u>

For the nine-month period ended December 31, 2023, 75% of revenue were attributable to three clients (nine-month period ended December 31, 2022 - 85% attributable to one client).

12. Expenses by nature

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2023	2022	2023	2022
	\$		\$	
Audit	-	-	60,050	59,945
Communications	6,399	10,850	21,620	31,437
Consulting fees	158,242	102,119	359,484	446,602
Depreciation and amortization	35,887	25,882	92,544	79,504
Equipment	1,855	2,062	4,946	6,270
Foreign exchange	1,087	741	6,065	755
Insurance	19,025	18,806	56,937	69,548
Leasing	7,619	5,520	25,741	15,966
Legal fees	-	4,937	2,128	5,677
Marketing	14,172	15,769	33,859	33,696
Overhead	21,023	28,972	59,931	60,941
Remuneration	433,034	365,113	1,244,403	1,159,547
Stock-based compensation	43,382	35,942	130,146	107,826
Tax credits	(25,000)	(60,000)	(75,000)	(115,000)
Travel and living	14,285	12,404	42,434	53,872
	<u>731,010</u>	<u>569,117</u>	<u>2,065,288</u>	<u>2,016,586</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 December 31, 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 December 31, 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 as at December 31, 2023 is high (March 31, 2023 – low). The available liquidity to meet short and 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.

DIAGNOS Inc.

Notes to Interim Condensed Consolidated Financial Statements

December 31, 2023, March 31, 2023 and December 31, 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		Nine-month period ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	\$		\$	
Base salary	84,775	82,500	254,325	247,500
Stock-based compensation	24,978	23,050	74,934	69,149
Incentives	50,000	-	50,000	10,000
Interest on demand loan	200	200	600	600
Payment of interest on demand loan	(200)	(200)	(600)	(600)
	<u>159,753</u>	<u>105,550</u>	<u>379,259</u>	<u>326,649</u>

DIAGNOS Inc.

Head Office

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Stock Exchange Listings

TSX Venture Exchange: ADK
OTCQB: DGNOF

Transfer Agent and Registrar

Computershare Trust Company of Canada