



DIAGNOS Inc.

Interim Condensed Consolidated Financial Statements - Unaudited

Three-month and six-month periods ended September 30, 2024

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, 2024	March 31, 2024
		\$	
ASSETS			
Current			
Cash		491,545	219,015
Short-term investments		2,000,000	-
Accounts receivable	5	99,407	166,576
Prepaid expenses		54,723	21,285
		<u>2,645,675</u>	<u>406,876</u>
Non-current			
Capital assets		200,017	256,911
Total assets		<u>2,845,692</u>	<u>663,787</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	6	499,966	521,671
Deferred revenue		8,215	8,393
Loans		145,007	145,007
Leases		115,933	115,933
Convertible debentures		1,648,874	830,925
		<u>2,417,995</u>	<u>1,621,929</u>
Non-current			
Loans		215,690	223,371
Leases		93,099	147,984
Convertible debentures		1,033,568	1,722,351
		<u>1,342,357</u>	<u>2,093,706</u>
Total liabilities		<u>3,760,352</u>	<u>3,715,635</u>
SHAREHOLDERS' DEFICIENCY			
Share capital	7	41,509,178	37,700,406
Reserve	8	9,886,682	9,822,278
Deficit		(52,382,930)	(50,646,942)
Foreign exchange differences		72,410	72,410
		<u>(914,660)</u>	<u>(3,051,848)</u>
Total liabilities and shareholders' deficiency		<u>2,845,692</u>	<u>663,787</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,	
		2024	2023	2024	2023
		\$		\$	
Revenue	9	22,673	32,707	59,363	76,030
Expenses					
Costs of services and research and development		312,199	279,567	438,002	496,135
Selling and administrative		590,202	370,463	1,079,157	838,143
	10	902,401	650,030	1,517,159	1,334,278
Loss before other items		(879,728)	(617,323)	(1,457,796)	(1,258,248)
Other income		6,285	9,030	12,570	16,602
Interest expense		(145,889)	(141,297)	(290,762)	(260,116)
Net loss and comprehensive loss		(1,019,332)	(749,590)	(1,735,988)	(1,501,762)
Basic and diluted net loss per share		(0.01)	(0.01)	(0.02)	(0.02)
Weighted-average number of common shares outstanding		82,354,448	72,264,803	80,179,765	71,684,543

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, 2024

	Note	Share capital	Reserve	Deficit	Foreign exchange differences	Total shareholders' equity
		\$				
Balance, beginning of period		37,700,406	9,822,278	(50,646,942)	72,410	(3,051,848)
Net loss		-	-	(1,735,988)	-	(1,735,988)
Issuance of common shares	7	3,872,497	(5,313)	-	-	3,867,184
Issuance of warrants	7, 8	-	8,400	-	-	8,400
Issue expenses	7	(63,725)	-	-	-	(63,725)
Stock-based compensation expense		-	61,317	-	-	61,317
Balance, end of period		41,509,178	9,886,682	(52,382,930)	72,410	(914,660)

Six-month period ended September 30, 2023

	Note	Share capital	Reserve	Deficit	Foreign exchange differences	Total shareholders' equity
		\$				
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)

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,	
Note	2024	2023
	\$	
Cash flows from operating activities		
Net loss	(1,735,988)	(1,501,762)
Items not affecting cash		
Depreciation of capital assets	64,008	56,657
Accretion on leases	12,094	13,316
Accretion on convertible debentures	129,166	100,235
Accretion on governmental loan	9,608	12,522
Governmental grant amortization	(6,570)	(9,194)
Stock-based compensation expense	61,317	86,764
	<u>(1,466,365)</u>	<u>(1,241,462)</u>
Payment of interest	149,863	109,901
Net change in operating working capital items	11,848	155,836
	<u>(1,304,654)</u>	<u>(975,725)</u>
Cash flows from investing activities		
Proceeds from disposal of short-term investments	500,000	300,000
Acquisition of short term investments	(2,500,000)	(600,000)
Additions to capital assets	(7,114)	(7,279)
	<u>(2,007,114)</u>	<u>(307,279)</u>
Cash flows from financing activities		
Issuance of convertible debentures and stock warrants, net of issue expenses	-	843,775
Issuance of common shares and stock warrants net of issue expenses	7, 8 3,811,859	447,374
Repayment of loans	(10,719)	-
Lease payments	(66,979)	(55,488)
Payment of interest	(149,863)	(109,901)
	<u>3,584,298</u>	<u>1,125,760</u>
Net change in cash	272,530	(157,244)
Cash, beginning of period	219,015	296,639
Cash, end of period	<u>491,545</u>	<u>139,395</u>

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

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. However, 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:

- Continue to rely on financing
- Continue to evaluate 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 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, 2024, the Corporation is current in its payroll taxes and is not in default with regards to its debt.

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 November 21, 2024.

3. Basis of consolidation, statement of compliance with IFRS accounting standards 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 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 interim condensed consolidated financial statements.

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

Summary of material 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 Accounting Standards”) accounting standards as issued by the International Accounting Standards Board. 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, 2024.

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, 2024	March 31, 2024
	\$	
Customers	18,439	18,705
Tax credits on research and development expenses	15,000	84,278
Demand loan bearing annual interest rate of 4%	20,000	20,000
Advances, no interest bearing	18,566	18,749
Sales taxes	26,089	23,530
Others	1,313	1,314
	99,407	166,576

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

6. Accounts payable and accrued liabilities

	As at	
	September 30, 2024	March 31, 2024
	\$	
Suppliers	300,004	330,416
Interests	61,999	61,628
Salaries and benefits	137,963	129,627
	499,966	521,671

7. Share capital

Share capital is composed of common shares without par value. 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 a reconciliation of changes in share capital.

	Six-month period ended September 30,			
	2024		2023	
	Number	\$	Number	\$
Balance, beginning of period	76,648,586	37,700,406	70,610,514	35,914,525
Private placements, net of issue expenses				
paid in cash	12,961,264	3,740,496	-	-
Issue expenses paid in stock warrants	-	(8,400)	-	-
Exercise of stock warrants	159,090	46,676	1,590,525	510,714
Exercise of stock options	150,000	30,000	50,000	10,001
Conversion of debentures, net of expenses	-	-	227,272	48,738
Balance, end of period	89,918,940	41,509,178	72,478,311	36,483,978

During the quarter ended September 30, 2024, the Corporation closed a non-brokered private placement ("Private placement") for gross proceeds of \$2,500,000. As part of the Private placement, 8,333,333 common shares and 8,333,333 stock warrants were issued to one subscriber. The stock warrants can be exercised to purchase one common share per stock warrant at a price of \$0.40 per common share for a period of 18 months ending March 20, 2026. The fair value of the stock warrants issued to subscribers has been established at \$0 using the residual value method.

During the quarter ended June 30, 2024, the Corporation closed two tranches of a non-brokered private placement ("Private placement") for total gross proceeds of \$1,295,820.68. As part of the Private placement, 4,627,931 common shares and 4,627,931 stock warrants were issued to the subscribers and 86,800 stock warrants were issued to brokers as part of their remuneration. 3,589,731 stock warrants can be exercised to purchase 3,589,731 common shares at a price of \$0.40 per common share for a period of 18 months ending December 5, 2025. 1,125,000 stock warrants can be exercised to purchase 1,125,000 common shares at a price of \$0.40 per common share for a period of 18 months ending November 9, 2025. The fair value of the 4,627,931 stock warrants issued to subscribers has been established at \$0 using the residual value method. The fair value of the 86,800 stock warrants issued to brokers as commissions has been established at \$8,400 using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life:	18 months
Risk-free interest rate:	4.71%
Volatility:	82.68%

DIAGNOS Inc.
Notes to Interim Consolidated Financial Statements
September 30, 2024, March 31, 2024 and September 30, 2023
(amounts in Canadian dollars)

8. Reserve

	Stock warrants	Conversion options	Stock options	Total
	\$			
Balance, beginning of period	4,312,841	1,627,837	3,881,600	9,822,278
Stock-based compensation	-	-	61,317	61,317
Exercises	(5,313)	-	-	(5,313)
Issue expenses	8,400	-	-	8,400
Balance, end of period	4,315,928	1,627,837	3,942,917	9,886,682

	Stock warrants	Conversion options	Stock options	Total
	\$			
Balance, beginning of period	4,334,058	1,550,630	3,703,360	9,588,048
Stock-based compensation	-	-	86,764	86,764
Private placement	30,163	96,087	-	126,250
Conversion	-	(8,261)	-	(8,261)
Exercises	(73,341)	-	-	(73,341)
Issue expenses paid in cash	(2,358)	(740)	-	(3,098)
Balance, end of period	4,288,522	1,637,716	3,790,124	9,716,362

9. 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,	
	2024	2023	2024	2023
	\$		\$	
Canada	18,570	21,777	47,047	52,022
United States of America	641	3,489	5,248	9,706
Mexico	3,462	3,425	5,341	7,972
Chile	-	4,016	1,727	6,330
	<u>22,673</u>	<u>32,707</u>	<u>59,363</u>	<u>76,030</u>

For the six-month period ended September 30, 2024, 79% of revenue was attributable to two clients (six-month period ended September 30, 2023 – 75% attributable to three clients).

10. Expenses by nature

	Three-month period ended September 30,		Six-month period ended September 30,	
	2024	2023	2024	2023
	\$		\$	
Audit	2,946	9,177	63,053	60,050
Communications	7,769	6,968	16,232	15,221
Consulting fees	244,674	135,557	264,884	201,242
Depreciation and amortization	32,226	28,556	64,008	56,657
Equipment	1,565	1,189	4,003	3,091
Foreign exchange	1,081	396	1,211	4,978
Insurance	32,881	19,025	35,410	37,912
Leasing	8,657	8,833	16,412	18,122
Legal fees	691	1,870	691	2,128
Marketing	14,220	10,161	24,129	19,687
Overhead	29,023	10,321	36,453	38,908
Remuneration	474,419	384,674	913,590	811,369
Stock-based compensation	30,659	43,382	61,319	86,764
Tax credits	-	(25,000)	(15,000)	(50,000)
Travel and living	21,590	14,921	30,764	28,149
	<u>902,401</u>	<u>650,030</u>	<u>1,517,159</u>	<u>1,334,278</u>

11. 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 and short-term investments are held by a recognized Canadian financial institution. Consequently, management considers the credit risk related to cash to be low as at September 30, 2024 and March 31, 2024.

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 September 30, 2024, accounts receivable from clients was attributable to a small number of clients. 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.

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, 2024 and March 31, 2024.

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.

Until the Corporation is able to achieve and maintain profitable operations, the available liquidity to meet near term obligations remains dependent on the Corporation's ability in securing additional financing. Refer to going concern assumptions in note 1.

12. 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,	
	2024	2023	2024	2023
	\$		\$	
Base salary	134,212	84,775	268,425	169,550
Stock-based compensation	25,239	24,978	50,478	49,956
Interest on demand loan	200	200	400	400
Payment of interest on demand loan	(200)	(200)	(400)	(400)
	<u>159,451</u>	<u>109,753</u>	<u>318,903</u>	<u>219,506</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