

DIAGNOS

DIAGNOS Inc.

Interim Condensed Consolidated Financial Statements – Unaudited

Three-month Period ended June 30, 2021

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

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

	Note	As at	
		June 30, 2021	March 31, 2021
		\$	
ASSETS			
Current			
Cash		236,060	359,390
Short-term investments		1,001,467	1,001,467
Accounts receivable	6	216,949	203,992
Prepaid expenses		89,332	26,115
		<u>1,543,808</u>	<u>1,590,964</u>
Non-current			
Investments		31,811	31,811
Capital assets		304,112	327,567
		<u>335,923</u>	<u>359,378</u>
Total assets		<u>1,879,731</u>	<u>1,950,342</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7	417,419	342,340
Deferred revenue		1,042	4,167
Loans		125,000	125,000
Leases		78,556	78,556
		<u>622,017</u>	<u>550,063</u>
Non-current			
Leases		208,786	228,960
Loans		39,080	39,166
		<u>247,866</u>	<u>268,126</u>
Total liabilities		<u>869,883</u>	<u>818,189</u>
SHAREHOLDERS' EQUITY			
Share capital	8	35,367,775	34,756,759
Reserve	9	8,723,362	8,737,350
Deficit		(43,104,267)	(42,384,244)
Investments revaluation reserve		(53,082)	(53,082)
Foreign exchange differences		76,060	75,370
		<u>1,009,848</u>	<u>1,132,153</u>
Total liabilities and shareholders' equity		<u>1,879,731</u>	<u>1,950,342</u>

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

Approved by the Board of Directors:

(signed) Vincent Duhamel
Acting chairman

(signed) André Larente
Director

DIAGNOS Inc.

Interim Consolidated Statements of Loss and Comprehensive Loss

(amounts in Canadian dollars)

	Note	Three-month period ended June 30,	
		2021	2020
		\$	
Revenue	11	75,961	47,690
Expenses			
Costs of services and research and development		200,414	162,308
Selling and administrative		601,616	512,589
		<u>802,030</u>	<u>674,897</u>
Loss before other items		(726,069)	(627,207)
Other income	13	16,911	141,563
Interest expense		(10,865)	(10,675)
		<u>(720,023)</u>	<u>(496,319)</u>
Net loss		(720,023)	(496,319)
Other comprehensive income items			
Net change in foreign exchange translation		690	330
		<u>(719,333)</u>	<u>(495,989)</u>
Comprehensive loss		(719,333)	(495,989)
Basic and diluted net loss per share		(0.01)	(0.01)
Weighted-average number of common shares outstanding		67,905,704	61,366,004

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

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

Three-month period ended June 30, 2021

	Note	Share capital	Reserve	Deficit	Investments revaluation reserve	Foreign exchange differences	Total shareholders' equity
\$							
Balance, beginning of period		34,756,759	8,737,350	(42,384,244)	(53,082)	75,370	1,132,153
Net loss		-	-	(720,023)	-	-	(720,023)
Other comprehensive loss items		-	-	-	-	690	690
Issuance of common shares	8, 9	611,016	(118,016)	-	-	-	493,000
Stock-based compensation expense	9	-	104,028	-	-	-	104,028
Balance, end of period		35,367,775	8,723,362	(43,104,267)	(53,082)	76,060	1,009,848

Three-month period ended June 30, 2020

	Note	Share capital	Reserve	Deficit	Investments revaluation reserve	Foreign exchange differences	Total shareholders' equity
\$							
Balance, beginning of period		33,666,631	8,468,301	(40,332,941)	(53,082)	70,262	1,819,171
Net loss		-	-	(496,319)	-	-	(496,319)
Other comprehensive loss items		-	-	-	-	330	330
Stock-based compensation expense	9	-	25,428	-	-	-	25,428
Balance, end of period		33,666,631	8,493,729	(40,829,260)	(53,082)	70,592	1,348,610

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

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

	Three-month period ended June 30,		
	Note	2021	2020
	\$		
Cash flows from operating activities			
Net loss		(720,023)	(496,319)
Items not affecting cash			
Depreciation of capital assets		25,857	12,511
Accretion on leases		7,320	141
Accretion on convertible notes		-	3,160
Accretion on governmental loan		1,351	-
Governmental grant amortization		(1,437)	-
Stock-based compensation expense		104,028	25,428
		<u>(582,904)</u>	<u>(455,079)</u>
Payment of interest		17,381	7,375
Net change in operating working capital items		(4,220)	32,813
		<u>(569,743)</u>	<u>(414,891)</u>
Cash flows from investing activities			
Proceeds from disposal of short-term investments		200,000	50,000
Acquisition of short term investments		(200,000)	-
Additions to capital assets		(2,402)	(4,497)
Foreign exchange translation		690	331
		<u>(1,712)</u>	<u>45,834</u>
Cash flows from financing activities			
Issuance of common shares and warrants, net of issue expenses		493,000	-
Issuance of loans and warrants		-	40,000
Lease payments		(27,494)	(9,290)
Payment of interest		(17,381)	(7,375)
		<u>448,125</u>	<u>23,335</u>
Net change in cash		(123,330)	(345,722)
Cash, beginning of period		359,390	570,442
Cash, end of period		<u>236,060</u>	<u>224,720</u>

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

DIAGNOS Inc.
Notes to the Interim Consolidated Financial Statements

June 30, 2021, March 31, 2021 and June 30, 2020

(amounts in Canadian dollars)

1. Going concern assumption

These interim 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.

The Corporation has not realized an annual profit since inception.

These interim 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 consolidated financial statements have been approved and authorized for filing by the Board of Directors of the Corporation on August 10, 2021.

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

Basis of consolidation

These interim 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 and associates are as follows:

Name of entity	Location of entity	Type of entity	Percentage of ownership
Diagnos Poland sp. Z.o.o.	Poland	Subsidiary	100%
Diagnos Internacional SA de CV	Mexico	Subsidiary	99.8%
Diagnos Healthcare (India) Private Limited	India	Subsidiary	99.74%

Diagnos Poland sp. Z.o.o. was liquidated on July 9, 2021. Diagnos Healthcare (India) Private Limited liquidation process is expected to begin during the second quarter of the current financial year.

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

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, 2021.

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.

DIAGNOS Inc.
Notes to the Interim Consolidated Financial Statements

June 30, 2021, March 31, 2021 and June 30, 2020

(amounts in Canadian dollars)

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 Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

5. Significant events during the period covered by these interim condensed consolidated financial statements

Pandemic

The Corporation's sales process continues to be somewhat impacted by the COVID-19 pandemic. This situation has not significantly impacted our ability to maintain our operations. The Corporation was able to retain all of its key employees and to qualify for various federal financial relief programs. Unchanged from the last reporting period, the Corporation is monitoring the situation closely and may take additional measures to reduce its costs and preserve its liquidities.

Financing activities

The Corporation received an aggregate amount of \$493,000 resulting from the exercises of stock warrants and stock options.

6. Accounts receivable

	As at	
	June 30, 2021	March 31, 2021
	\$	
Customers	40,412	26,961
Tax credits on research and development expenses	90,549	75,549
Government grant	-	10,746
Demand loan bearing annual interest rate of 4%	43,478	43,500
Sales commissions advance, no interest bearing	20,841	21,030
Advance	-	6,121
Sales taxes	20,374	18,790
Deposits	1,189	1,189
Others	106	106
	<u>216,949</u>	<u>203,992</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 the Interim Consolidated Financial Statements

June 30, 2021, March 31, 2021 and June 30, 2020

(amounts in Canadian dollars)

7. Accounts payable and accrued liabilities

	As at	
	June 30, 2021	March 31, 2021
	\$	
Accounts payable and accrued liabilities	278,805	190,074
Interests	103	103
Salaries and benefits	138,512	152,163
	417,420	342,340

8. Share capital

Share capital is composed of common shares without par value of which 68,319,982 are issued and outstanding as at June 30, 2021 (March 31, 2021 – 67,303,982). 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.

On April 24, 2019, the Corporation completed a one for ten share consolidation. As such, all references to common shares, warrants and stock options in these interim consolidated financial statements have been adjusted to reflect the share consolidation.

The following table presents the changes to share capital which have occurred during the period ended June 30, 2021:

	Number of common shares	\$
Balance, beginning of period	67,303,982	34,756,759
Exercise of stock warrants	966,000	598,016
Exercise of stock options	50,000	13,000
Balance, end of period	68,319,982	35,367,775

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.

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 June 30, 2021, the outstanding number of stock options is 7,797,000 (March 31, 2021 – 7,722,000) and the outstanding number of stock options available for issuance is 695,909 (March 31, 2021 – 820,909).

DIAGNOS Inc.
Notes to the Interim Consolidated Financial Statements

June 30, 2021, March 31, 2021 and June 30, 2020

(amounts in Canadian dollars)

9. Reserve

	Three-month period ended June 30, 2021			
	Stock warrants	Conversion options	Stock options	Total
	\$			
Balance, beginning of period	4,399,999	1,227,456	3,109,895	8,737,350
Stock-based compensation	-	-	104,028	104,028
Exercises	(115,016)	-	(3,000)	(118,016)
Balance, end of period	4,284,983	1,227,456	3,210,923	8,723,362

	Three-month period ended June 30, 2020			
	Stock warrants	Conversion options	Stock options	Total
	\$			
Balance, beginning of period	4,375,037	1,227,456	2,865,808	8,468,301
Stock-based compensation	-	-	25,428	25,428
Balance, end of period	4,375,037	1,227,456	2,891,236	8,493,729

10. 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 June 30, 2021 and March 31, 2021.

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 June 30, 2021 and March 31, 2021.

DIAGNOS Inc.
Notes to the Interim Consolidated Financial Statements
June 30, 2021, March 31, 2021 and June 30, 2020
(amounts in Canadian dollars)

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 short term obligations, the Corporation's exposure to liquidity risk as at June 30, 2021 and March 31, 2021 is low. The available liquidity to meet long 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 1.

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 currently mainly composed of shares of corporations traded on the TSX Venture Exchange. As at June 30, 2021 and March 31, 2021, the Corporation is not exposed to price risk since its investments in shares are valued at \$0.

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 USD, MXN and INR. 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.

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 three-month periods ended June 30, 2021 and June 30, 2020.

DIAGNOS Inc.
Notes to the Interim Consolidated Financial Statements

June 30, 2021, March 31, 2021 and June 30, 2020

(amounts in Canadian dollars)

11. Segment information

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

Revenue by country:

	Three-month period ended June 30,	
	2021	2020
	\$	
Canada	68,025	39,275
United States of America	7,820	8,415
Costa Rica	116	-
	<u>75,961</u>	<u>47,690</u>

41% of revenues from Canada, for the three-month period ended June 30, 2021, were attributable to data analysis consulting services rendered to one company active in the mining sector (June 30, 2020 - 70%).

12. Related party transactions

The Corporation's related parties include its subsidiaries and associate entity 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 June 30,	
	2021	2020
	\$	
Base salary	103,750	118,125
Stock-based compensation	81,895	20,182
Incentives	-	50,000
Interest on demand loan	435	485
Payment of interest on demand loan	(435)	(485)
	<u>185,645</u>	<u>188,307</u>

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

	As at March 31,	
	June 30, 2021	March 31, 2021
	\$	
Demand loan receivable, annual interest rate of 4%	43,500	42,854
Sales commission advance, no interest	20,841	20,841

DIAGNOS Inc.

Notes to the Interim Consolidated Financial Statements

June 30, 2021, March 31, 2021 and June 30, 2020

(amounts in Canadian dollars)

13. Other income

Government assistance program

During the three-month period ended June 30, 2021, the Corporation recognized an amount of \$10,974 from the Canada Emergency Wage Subsidy program (three-month period ended June 30, 2020 - \$141,563).

Head Office

DIAGNOS Inc.
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Brossard, Quebec J4Z 1A7
450 678-8882 or 877 678-8882

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