

# DIAGNOS

DIAGNOS Inc.

Interim Condensed Consolidated Financial Statements – Unaudited

Three-month and Six-month Periods ended September 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	
		September 30, 2021	March 31, 2021
		\$	
<b>ASSETS</b>			
<b>Current</b>			
Cash		419,451	359,390
Short-term investments		503,218	1,001,467
Accounts receivable	6	255,627	203,992
Prepaid expenses		74,480	26,115
		<u>1,252,776</u>	<u>1,590,964</u>
<b>Non-current</b>			
Investments		30,060	31,811
Capital assets		283,065	327,567
		<u>313,125</u>	<u>359,378</u>
<b>Total assets</b>		<b><u>1,565,901</u></b>	<b><u>1,950,342</u></b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7	403,494	342,340
Deferred revenue		13,894	4,167
Loans		125,000	125,000
Leases		70,752	78,556
		<u>613,140</u>	<u>550,063</u>
<b>Non-current</b>			
Leases		196,349	228,960
Loans		39,057	39,166
		<u>235,406</u>	<u>268,126</u>
<b>Total liabilities</b>		<b><u>848,546</u></b>	<b><u>818,189</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	35,575,775	34,756,759
Reserve	9	8,779,390	8,737,350
Deficit		(43,661,973)	(42,384,244)
Investments revaluation reserve		(53,082)	(53,082)
Foreign exchange differences		77,245	75,370
		<u>717,355</u>	<u>1,132,153</u>
<b>Total liabilities and shareholders' equity</b>		<b><u>1,565,901</u></b>	<b><u>1,950,342</u></b>

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 September 30,		Six-month period ended September 30,	
		2021	2020	2021	2020
		\$		\$	
<b>Revenue</b>	11	<b>80,933</b>	<b>79,787</b>	<b>156,894</b>	<b>127,477</b>
<b>Expenses</b>					
Costs of services and research and development		228,822	102,178	429,236	264,486
Selling and administrative		474,210	423,927	1,075,826	936,516
		<u>703,032</u>	<u>526,105</u>	<u>1,505,062</u>	<u>1,201,002</u>
<b>Loss before other items</b>		<b>(622,099)</b>	<b>(446,318)</b>	<b>(1,348,168)</b>	<b>(1,073,525)</b>
Other income	13	72,918	105,467	89,829	247,030
Interest expense		(8,525)	(11,330)	(19,390)	(22,005)
		<u>(557,706)</u>	<u>(352,181)</u>	<u>(1,277,729)</u>	<u>(848,500)</u>
<b>Net loss</b>		<b>(557,706)</b>	<b>(352,181)</b>	<b>(1,277,729)</b>	<b>(848,500)</b>
Other comprehensive income items					
Net change in foreign exchange translation		1,185	(24,326)	1,875	(23,996)
		<u>(556,521)</u>	<u>(376,507)</u>	<u>(1,275,854)</u>	<u>(872,496)</u>
<b>Comprehensive loss</b>		<b>(556,521)</b>	<b>(376,507)</b>	<b>(1,275,854)</b>	<b>(872,496)</b>
<b>Basic and diluted net loss per share</b>		<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.01)</b>
Weighted-average number of common shares outstanding		68,567,808	61,366,004	68,240,394	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)

**Six-month period ended September 30, 2021**

	Note	Share capital	Reserve	Deficit	Investments revaluation reserve	Foreign exchange differences	Total shareholders' equity
		\$					
<b>Balance, beginning of period</b>		<b>34,756,759</b>	<b>8,737,350</b>	<b>(42,384,244)</b>	<b>(53,082)</b>	<b>75,370</b>	<b>1,132,153</b>
Net loss		-	-	(1,277,729)	-	-	(1,277,729)
Other comprehensive loss items		-	-	-	-	1,875	1,875
Issuance of common shares	8, 9	819,016	(166,016)	-	-	-	653,000
Stock-based compensation expense	9	-	208,056	-	-	-	208,056
<b>Balance, end of period</b>		<b>35,575,775</b>	<b>8,779,390</b>	<b>(43,661,973)</b>	<b>(53,082)</b>	<b>77,245</b>	<b>717,355</b>

**Six-month period ended September 30, 2020**

	Note	Share capital	Reserve	Deficit	Investments revaluation reserve	Foreign exchange differences	Total shareholders' equity
		\$					
<b>Balance, beginning of period</b>		<b>33,666,631</b>	<b>8,468,301</b>	<b>(40,332,941)</b>	<b>(53,082)</b>	<b>70,262</b>	<b>1,819,171</b>
Net loss		-	-	(848,500)	-	-	(848,500)
Other comprehensive loss items		-	-	-	-	(23,996)	(23,996)
Stock-based compensation expense	9	-	54,928	-	-	-	54,928
<b>Balance, end of period</b>		<b>33,666,631</b>	<b>8,523,229</b>	<b>(41,181,441)</b>	<b>(53,082)</b>	<b>46,266</b>	<b>1,001,603</b>

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)

	Six-month period ended September 30,		
	Note	2021	2020
		\$	
<b>Cash flows from operating activities</b>			
Net loss		(1,277,729)	(848,500)
Items not affecting cash			
Depreciation of capital assets		51,814	31,330
Accretion on loans		-	2,042
Accretion on leases		14,704	243
Accretion on convertible notes		-	6,503
Accretion on governmental loan		2,781	-
Governmental grant amortization		(2,890)	(2,527)
Stock-based compensation expense		208,056	54,928
		<u>(1,003,264)</u>	<u>(755,981)</u>
Payment of interest		5,397	15,415
Net change in operating working capital items		(29,119)	248,971
		<b><u>(1,026,986)</u></b>	<b><u>(491,595)</u></b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of short-term investments		700,000	300,000
Acquisition of short-term investments		(200,000)	-
Additions to capital assets		(7,312)	(21,257)
Foreign exchange translation		1,875	-
Other		-	(23,996)
		<b><u>494,563</u></b>	<b><u>254,747</u></b>
<b>Cash flows from financing activities</b>			
Issuance of common shares		653,000	-
Loan		-	40,000
Lease payments		(55,119)	(33,659)
Payment of interest		(5,397)	(15,415)
		<b><u>592,484</u></b>	<b><u>(9,074)</u></b>
<b>Net change in cash</b>		<b>60,061</b>	<b>(245,922)</b>
Cash, beginning of period		359,390	570,442
<b>Cash, end of period</b>		<b><u>419,451</u></b>	<b><u>324,520</u></b>

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

DIAGNOS Inc.  
**Notes to the Interim Consolidated Financial Statements**

September 30, 2021, March 31, 2021 and September 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 October 27, 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 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 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**

September 30, 2021, March 31, 2021 and September 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. However, it 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 \$653,000 resulting from the exercises of stock warrants and stock options.

**6. Accounts receivable**

	<b>As at</b>	
	<b>September 30, 2021</b>	<b>March 31, 2021</b>
	<b>\$</b>	
Customers	67,016	26,961
Tax credits on research and development expenses	105,549	75,549
Government grant	-	10,746
Demand loan bearing annual interest rate of 4%	43,500	43,500
Sales commissions advance, no interest bearing	20,841	21,030
Advance	11,673	6,121
Sales taxes	5,584	18,790
Deposits	1,300	1,189
Others	164	106
	<u>255,627</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**

September 30, 2021, March 31, 2021 and September 30, 2020

(amounts in Canadian dollars)

**7. Accounts payable and accrued liabilities**

	As at	
	September 30, 2021	March 31, 2021
	\$	
Accounts payable and accrued liabilities	231,961	190,074
Salaries and benefits	171,430	152,163
Interests	103	103
	<u>403,494</u>	<u>342,340</u>

Provision

During the quarter ended March 31, 2021, the Corporation received a Notice of Complaint filed with the Supreme Court of the State of New York from an investor that alleges the Corporation did not fulfill certain obligations related to the conversion of one convertible instrument issued in October 2017. During the quarter ended September 30, 2021, in a decision and order, the Supreme Court of the State of New York granted the Corporation's motion to stay the proceedings as New York is an inconvenient jurisdiction to decide the dispute.

**8. Share capital**

Share capital is composed of common shares without par value of which 69,119,982 are issued and outstanding as at September 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 September 30, 2021:

	Number of common shares	\$
<b>Balance, beginning of period</b>	<u>67,303,982</u>	<u>34,756,759</u>
Exercise of stock warrants	966,000	598,016
Exercise of stock options	850,000	221,000
<b>Balance, end of period</b>	<u>69,119,982</u>	<u>35,575,775</u>

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.

As at September 30, 2021, the outstanding number of stock options is 6,197,000 (March 31, 2021 – 7,722,000) and the outstanding number of stock options available for issuance is 2,695,909 (March 31, 2021 – 820,909).



DIAGNOS Inc.  
**Notes to the Interim Consolidated Financial Statements**

September 30, 2021, March 31, 2021 and September 30, 2020

(amounts in Canadian dollars)

**9. Reserve**

	<b>Six-month period ended September 30, 2021</b>			
	Stock warrants	Conversion options	Stock options	Total
	\$			
<b>Balance, beginning of period</b>	<b>4,399,999</b>	<b>1,227,456</b>	<b>3,109,895</b>	<b>8,737,350</b>
Stock-based compensation	-	-	208,056	208,056
Exercises	(115,016)	-	(51,000)	(166,016)
<b>Balance, end of period</b>	<b>4,284,983</b>	<b>1,227,456</b>	<b>3,266,951</b>	<b>8,779,390</b>

	<b>Six-month period ended September 30, 2020</b>			
	Stock warrants	Conversion options	Stock options	Total
	\$			
<b>Balance, beginning of period</b>	<b>4,375,037</b>	<b>1,227,456</b>	<b>2,865,808</b>	<b>8,468,301</b>
Stock-based compensation	-	-	54,928	54,928
<b>Balance, end of period</b>	<b>4,375,037</b>	<b>1,227,456</b>	<b>2,920,736</b>	<b>8,523,229</b>

**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 September 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 September 30, 2021 and March 31, 2021.

DIAGNOS Inc.  
**Notes to the Interim Consolidated Financial Statements**  
September 30, 2021, March 31, 2021 and September 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 September 30, 2021 and March 31, 2021 is low. However, 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 September 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, EUR, 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 six-month periods ended September 30, 2021 and September 30, 2020.

DIAGNOS Inc.  
**Notes to the Interim Consolidated Financial Statements**  
September 30, 2021, March 31, 2021 and September 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 September 30,		Six-month period ended September 30,	
	2021	2020	2021	2020
	\$		\$	
Canada	72,498	58,187	140,523	97,462
United States of America	7,063	19,723	14,883	28,138
Saudi Arabia	747	-	747	-
Mexico	351	-	351	-
Costa Rica	132	-	248	-
Colombia	84	1,877	84	1,877
Spain	58	-	58	-
	<u>80,933</u>	<u>79,787</u>	<u>156,894</u>	<u>127,477</u>

For the six-month period ended September 30, 2021, 25% of revenues from Canada were attributable to data analysis consulting services rendered to one company active in the mining sector (six-month period ended September 30, 2020 – 78%).

**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 September 30,		Six-month period ended September 30,	
	2021	2020	2021	2020
	\$		\$	
Base salary	103,750	96,250	207,500	214,375
Stock-based compensation	81,895	23,426	163,790	43,608
Incentives	10,000	-	10,000	50,000
Interest on demand loan	435	485	870	970
Payment of interest on demand loan	(435)	(485)	(870)	(970)
	<u>195,645</u>	<u>119,676</u>	<u>381,290</u>	<u>307,983</u>

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

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

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

**13. Other income**

Government assistance program

During the six-month period ended September 30, 2021, the Corporation recognized an amount of \$77,939 from the Canada Emergency Wage Subsidy program (six-month period ended September 30, 2020 - \$243,003).

**Head Office**

DIAGNOS Inc.  
7005 Taschereau Blvd.  
Suite 265  
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