

# DIAGNOS

Management Discussion and Analysis

Three-month and Nine-month Periods ended December 31, 2018

DIAGNOS Inc.

## Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A"), dated February 27, 2019, analyses the consolidated financial position of DIAGNOS Inc. and its subsidiaries ("DIAGNOS", "the Corporation" or "We") as at December 31, 2018 and for the three-month and nine-month periods ended December 31, 2018 and should be read in conjunction with the December 31, 2018 interim unaudited condensed consolidated financial statements and accompanying notes. The currency used is the Canadian dollar unless otherwise stated.

This MD&A was approved by the Board of Directors on February 27, 2019 and takes into account information available up to the filing date on SEDAR.

### Description and Objective

This MD&A is a narrative explanation, through the eyes of management, of the Corporation's performance during the periods covered by the financial statements, and of the Corporation's financial condition and future prospects. This MD&A complements and supplements the Corporation's financial statements, but does not form part of the Corporation's financial statements.

The objective of this MD&A is to improve the Corporation's overall financial disclosures by providing a balanced discussion of the Corporation's financial performance and financial condition.

### Going concern assumption

The December 31, 2018 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.

The Corporation's current level of revenue is not sufficient to cover its expenses and ongoing commitments. The Corporation's ability to generate positive cash flows from its operating activities is dependent on achieving and maintaining profitable operations. Since inception, the Corporation has been able to finance its activities and operate on a going concern basis through issuances of common shares, stock warrants, convertible notes, convertible debentures and demand loans. On July 4, 2018, the Corporation closed a private placement of \$800,000 through the issuance of convertible debentures and stock warrants. On June 14 and September 11, 2018, the Corporation closed private placements for gross proceeds respectively of \$60,000 and \$112,500 through the issuance of common shares and stock warrants. On November 1 and 9, 2018, the Corporation closed private placements for gross proceeds respectively of \$500,000 and \$1,033,000 through the issuance of common shares and stock warrants. On December 12, 2018, the Corporation closed a private placement for gross proceeds of \$250,000 USD (\$334,475 CAD) through the issuance of common shares and stock warrants. In the near term, the Corporation intends to continue seeking additional financing through the issuance of debt and equity instruments to meet its operating and financial obligations. While the Corporation has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding or initiatives will be available on terms acceptable to the Corporation. If the Corporation is unable to obtain sufficient additional funding, it may be unable to continue its operations, and amounts from the sale of assets might be less than the amounts reflected in these consolidated financial statements.

The December 31, 2018 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.

## Forward-looking statements

This MD&A contains certain forward-looking statements with respect to the Corporation. By their nature, these forward-looking statements necessarily imply risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. These risks and uncertainties include risks associated with the going concern assumption, market acceptance, competitive developments, the world economic situation and other factors. Except for ongoing obligations under securities laws to disclose all material information to investors, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Non-GAAP financial measures

This MD&A contains certain non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that is not specified, defined or determined under the Corporation's GAAP (as that term is defined in *Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards*) and is not presented in the Corporation's financial statements.

Non-GAAP financial measures presented in this document are:

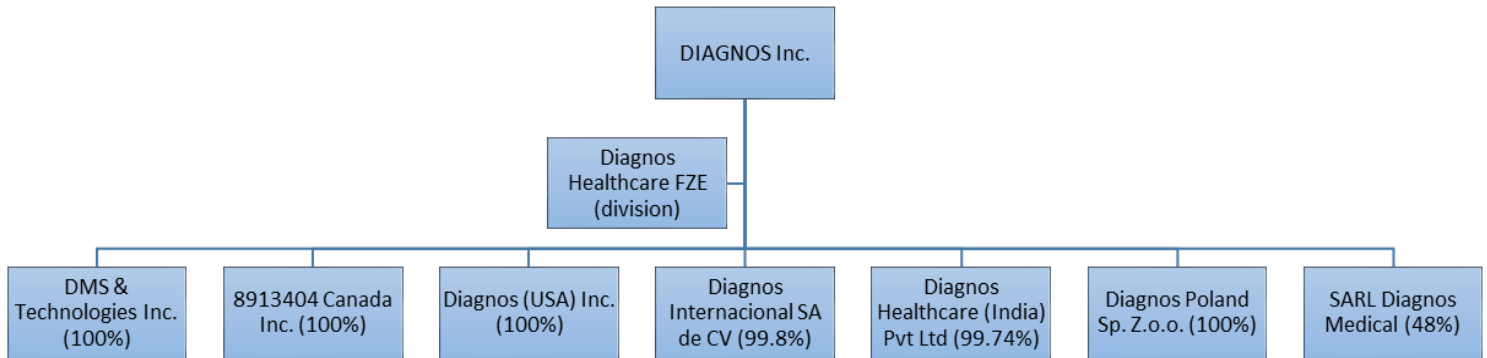
- Sales bookings; sales bookings, for a specific period, is comprised of amounts related to two different types of sales agreements:
  - a. Sales agreements for which a value can be determined at the time of signature, and
  - b. Sales agreements signed in a prior period for which a value couldn't be determined at the time of signature but for which a value could be determined during a subsequent period, usually based on delivery during the subsequent period.
- Backlog; the amount for backlog is mainly comprised of sales bookings for products and services not yet delivered or rendered as of period end. This is an indicator of future revenues related to signed agreements.
- Research and development refundable tax credit provisions in proportion to research and development expenses. This is an indicator of the overall scientific research and experimental development activities.
- Working capital; the working capital amount is obtained by subtracting accounts payable and accrued liabilities and other current liabilities from cash, non-restricted short-term investments, accounts receivable and other current assets. This is an indicator for assessing short-term solvency.

## Description of the Corporation and activities

DIAGNOS has built an Artificial Intelligence ("AI") platform called *FLAIRE* to provide assistance to general practitioners in interpreting medical imaging at the primary care facilities. The Corporation operates in Healthcare and offers image analysis services through Computer Assisted Retinal Analysis (CARA), a software tool, which assists health specialists in the detection of diabetic retinopathy. Its geographical footprint spans across fifteen countries. DIAGNOS is currently listed on (i) the Toronto Venture Exchange where it trades under the stock symbol of "ADK" and (ii) the OTCQB under the symbol "DGNOF".

## DIAGNOS Inc.

DIAGNOS group of entities, as at December 31, 2018, is organized as follows:



During the quarter ended December 31, 2018, wholly-owned subsidiary 1204721 Ontario Inc. was dissolved. During the quarter ended June 30, 2018, the Corporation disposed all of the shares of Albert Mining Inc (“Albert”). As at March 31, 2018, the Corporation held 10,500,000 shares of Albert representing 16.6% of Albert’s outstanding common shares.

DIAGNOS operates in the healthcare sector through CARA, an AI software tool which assists health specialists in the detection of diabetic retinopathy. CARA is an in-house hosted web-based application that integrates fundus cameras with an image processing engine over a secure internet connection. CARA has been developed by, and is proprietary to, DIAGNOS.

### AI market in Healthcare

The AI market in healthcare has high growth opportunities due to rising needs of self-care monitoring in real-time. Globally, AI in healthcare market is driven by the ability to improve patient outcomes, increase in need for coordination between healthcare workforce & patients, rise in adoption of precision medicine, significant use of big data in the healthcare sector, and remarkable rise in venture capital investments. Key healthcare applications using AI at present include – Intelligent Diagnostics, Patient and Provider Data Management, Drug Discovery Process, and Medical Devices and Robotics. According to Allied Market Research, the global AI in healthcare market was valued at \$1,441 million in 2016, and is estimated to reach at \$22,790 million by 2023. With its established CARA technology and worldwide presence, we believe DIAGNOS is well positioned to capture a sizeable portion of the AI market in healthcare.

Over the next decade, artificial intelligence is expected to fundamentally transform the diagnostic imaging market where the focus would be towards meeting the rising demand for imaging examinations, prevent diagnostic errors, and enable sustained productivity increases rather than replacing the need for radiologists.

As per an IBM research, medical images account for 90% of all the medical data which makes it the largest data source in healthcare industry. Nowadays, healthcare algorithms are created to get more accurate and quicker diagnosis. Presently medical imaging is helpful in tumour detection, tracking tumour development, blood flow visualization, medical interpretation and diabetic retinopathy.

### CARA

The Corporation has developed a proprietary set of algorithms and associated software platforms to assist eye specialists in the detection of diabetic retinopathy. According to the Canadian Diabetes Association, diabetic retinopathy is the most common cause of blindness in people under age 65 and the most common cause of new blindness in North America. Also according to the Canadian Diabetes Association, it is estimated that approximately 2 million individuals in Canada (i.e. almost all people with diagnosed diabetes) have some form of diabetic retinopathy. According to the World Health Organization, the number of people with diabetes worldwide has risen from 108 million in 1980 to 422 million in 2014.

The application is named CARA, which stands for “Computer Assisted Retinal Analysis”. The Corporation’s management view is that this application will contribute to the increase in revenue streams based on the fact that automating the screening process for diabetic retinopathy will benefit the healthcare system.

## DIAGNOS Inc.

CARA can be deployed in many countries and has received certifications from Health Canada, the US Food and Drug Administration in the United States of America and CE in the European Union.

The CARA suite of applications allows an eye care specialist to more clearly visualize both normal retinal landmarks (optic nerve, vascular system, macula, fovea), as well as pathological changes (exudates, haemorrhages, micro-aneurisms, neo-vascularisation). Services vary from image enhancement only, to turn-key solutions including deploying imaging equipment on a mobile basis using the Corporation's staff.

During the period covered by this document, the Corporation has actively been developing CARDIO, a software tool being tested by DIAGNOS to detect patients at risk of developing cardiovascular disease. CARDIO is a by-product of the work we are doing in the field of stroke prevention based on the human vascular system. This new application is currently in clinical trial in the US, Canada, Algeria and Mexico.

A few other healthcare-focused software tools are presently in the development phase, such as Sleep Apnea and Alzheimer's disease.

Unchanged from the last reporting period, for the commercialization of CARA, we currently have a presence either directly or through resellers in North America (Canada, USA and Mexico), Africa (Algeria), Middle-East (some countries of the Gulf Cooperation Council) and India. We intend to continue increasing our presence in the USA. CARA has proven its value to patients in these markets. Our focus going forward is to leverage that proven ability to (i) continue to build revenue and sales in emerging markets and (ii) to substantially grow our sales and marketing successes in the US and Canada, where we believe CARA offers a unique value proposition to payers and patients. The addition of a new US based board member in April 2018 is accelerating the business development efforts there.

### **Development of the Business**

Here are the main events which contributed to the development of the business for the nine-month period ended December 31, 2018:

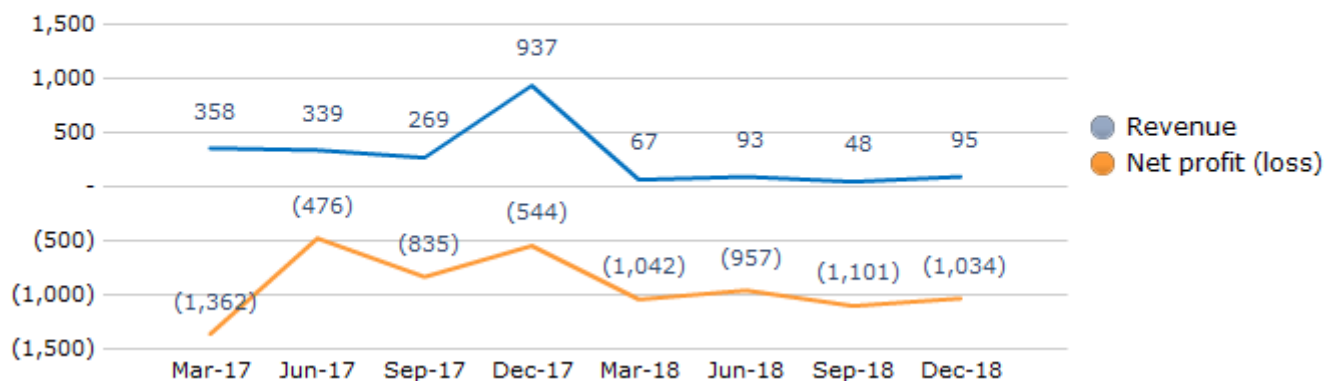
- April 2018: Appointment of new director based in the USA, Dr. Reid Maclellan.
- June 2018: Partnership with the CHUM to showcase CARA.
- June 2018: New CARA high blood risk assessment tool.
- July 2018: Private placements of (i) convertible debentures for gross proceeds of \$800,000 and (ii) common shares for gross proceeds of \$60,000.
- September 2018: Private placement of common shares and stock warrants for gross proceeds of \$112,500.
- November 2018: Private placement of common shares and stock warrants for gross proceeds of \$1,533,000.
- December 2018: Private placement of common shares and stock warrants for gross proceeds of \$334,475.

**Summary of quarterly results**

The following financial information for the eight most recently completed three-month periods is derived from the Corporation's financial statements.

	2019			2018			2017	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	
							March 31, 2017 (restated)	
	\$							
Revenue	94,511	47,687	93,124	66,593	937,426	269,404	339,398	357,979
Net loss	(1,033,666)	(1,100,708)	(957,229)	(1,041,793)	(544,360)	(834,601)	(476,411)	(1,361,591)
Comprehensive loss	(1,021,927)	(1,133,488)	(973,112)	(1,112,207)	(285,919)	(1,093,621)	(410,714)	(1,299,844)
Comprehensive loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)

**DIAGNOS**  
Quarterly results (\$'000)



## Overall performance

This section provides an analysis of the Corporation's financial performance, financial condition and resulting cash flows during the periods covered by this MD&A.

### Net results

The comparative financial information for the comparative three-month and nine-month periods ended December 31, 2018, contained in this section, is derived from the Corporation's interim condensed consolidated financial statements.

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2018	2017	2018	2017
	\$		\$	
Revenue	94,511	937,426	235,322	1,546,228
Operating expenses	850,429	1,293,233	2,580,647	3,353,726
Other income	-	-	(15,857)	-
Interest expense	280,640	188,553	761,521	671,793
(Gain) loss on disposal of capital assets	(2,892)	-	614	-
Gain on disposal of the mining division	-	-	-	(623,919)
	1,128,177	1,481,786	3,326,925	3,401,600
<b>Net loss</b>	<b>(1,033,666)</b>	<b>(544,360)</b>	<b>(3,091,603)</b>	<b>(1,855,372)</b>
Increases in net loss	(489,306)		(1,236,231)	

The variations in net loss is attributable to:

	Three-month period ended December 31, 2018	Nine-month period ended
	\$	
Decreases in revenue	(842,915)	(1,310,906)
Decreases in costs of services and research and development	152,228	121,279
Decreases in selling and administrative expenses	290,576	651,800
Increase in other income	-	15,857
Increases in interest expense	(92,087)	(89,728)
Gain (loss) on disposal of capital assets	2,892	(614)
Gain on disposal of the mining division	-	(623,919)
	(489,306)	(1,236,231)

- The overall decrease in revenue is attributable to (i) the decrease in the number of signed agreements from the healthcare sector and (ii) the sale of the mining division during the quarter ended June 30, 2017.
- The decrease in selling and administrative expenses, for the nine-month period ended December 31, 2018, is mainly attributable to decreases in (i) incentives paid to officers of the Corporation, (ii) consulting fees related to the new corporate image, (iii) the sale of the mining division during the quarter ended June 30, 2017 and (iv) sales commissions related to the decrease in revenue.
- Gain on disposal of intangible assets arose from the selling of the mining division during the quarter ended June 30, 2017.

## DIAGNOS Inc.

When evaluating its overall financial performance, the Corporation's analysis is based on the following key performance indicators:

- capacity to increase revenues
- capacity to generate positive cash flows from operating activities
- capacity to deliver results
- capacity to innovate

### Capacity to increase revenues

To increase its revenues, the Corporation strives to generate sales in existing and new geographic markets.

#### *Sales bookings, Revenues and Backlogs*

The Corporation's backlog provides an indicator when forecasting revenues. The following table presents the comparative evolution of the backlog for the comparative three-month and nine-month periods ended December 31, 2018 and is followed by an analysis of the material variances.

	Three-month period ended December 31, 2018				Nine-month period ended December 31, 2018			
	Healthcare	Consulting services	Mining (discontinued)	Total	Healthcare	Consulting services	Mining (discontinued)	Total
	\$				\$			
Opening backlog	34,008	-	-	34,008	-	-	-	-
Bookings	50,288	28,551	-	78,839	151,267	102,391	-	253,658
Revenues	(65,960)	(28,551)	-	(94,511)	(132,931)	(102,391)	-	(235,322)
Ending backlog	18,336	-	-	18,336	18,336	-	-	18,336

	Three-month period ended December 31, 2017				Nine-month period ended December 31, 2017			
	Healthcare	Consulting services	Mining (discontinued)	Total	Healthcare	Consulting services	Mining (discontinued)	Total
	\$				\$			
Opening backlog	1,174,500	-	-	1,174,500	24,600	-	-	24,600
Bookings	22,665	-	-	22,665	1,461,367	-	320,000	1,781,367
Amendments	(259,739)	-	-	(259,739)	(259,739)	-	-	(259,739)
Revenues	(937,426)	-	-	(937,426)	(1,226,228)	-	(320,000)	(1,546,228)
Ending backlog	-	-	-	-	-	-	-	-

	Variations for the three-month period ended December 31, 2018				Variations for the nine-month period ended December 31, 2018			
	Healthcare	Consulting services	Mining (discontinued)	Total	Healthcare	Consulting services	Mining (discontinued)	Total
	\$				\$			
Bookings	287,362	28,551	-	315,913	(1,050,361)	102,391	(320,000)	(1,267,970)
Revenues	(871,466)	28,551	-	(842,915)	(1,093,297)	102,391	(320,000)	(1,310,906)



## DIAGNOS Inc.

Analysis of the material variances for the comparative three-month and nine-month periods ended December 31, 2018:

- The overall decrease in bookings and revenues from the healthcare sector is mainly attributable to the non-renewal of one agreement with a governmental organization in Mexico.
- The increase in bookings and revenues from consulting services is mainly attributable to data interpretation services rendered to one company active in the mining sector in Canada.
- The decrease in bookings and revenues from mining is attributable to the sale of the mining division (CARDS) during the quarter ended June 30, 2017.

### Geographical segments

The following table presents the comparative revenues by country:

	Three-month period ended December 31,				Variance
	2018	2017		Total	
	Healthcare	Healthcare	Mining		
	\$				
Mexico	-	920,942	-	920,942	(920,942)
Canada	68,917	8,385	-	8,385	60,532
United States of America	18,501	7,647	-	7,647	10,854
United Arab Emirates	6,338	-	-	-	6,338
Saudi Arabia	523	-	-	-	523
Slovakia	232	452	-	452	(220)
	94,511	937,426	-	937,426	(842,915)

	Nine-month period ended December 31,				Variance
	2018	2017		Total	
	Healthcare	Healthcare	Mining		
	\$				
Mexico	-	1,171,037	-	1,171,037	(1,171,037)
Canada	157,615	8,735	320,000	328,735	(171,120)
United States of America	53,407	9,618	-	9,618	43,789
United Arab Emirates	18,638	18,420	-	18,420	218
Saudi Arabia	3,776	5,082	-	5,082	(1,306)
Slovakia	1,936	4,972	-	4,972	(3,036)
Bangladesh	-	5,754	-	5,754	(5,754)
Poland	-	1,985	-	1,985	(1,985)
Nigeria	(50)	625	-	625	(675)
	235,322	1,226,228	320,000	1,546,228	(1,310,906)

## DIAGNOS Inc.

### *Canada*

The head office of the Corporation is located in Brossard, Canada and is responsible for the revenues and expenses derived from sales activities in Canada, the United States of America, the United Arab Emirates, Slovakia, Saudi Arabia and Nigeria. During the nine-month period ended December 31, 2018, 65% of revenues were derived from data interpretation services rendered to one company active in the mining sector. For the same period, the decrease in revenue is due to the sale of the mining division in the quarter ended June 30, 2017.

### *United Arab Emirates and Nigeria*

The revenues from those countries were derived from the healthcare sector (CARA) and are attributable to one global client with activities in the pharmaceutical industry. The decrease in revenue in those countries, for the nine-month period ended December 31, 2018, is mainly due to lower volumes of screenings.

### *Saudi Arabia, United States of America and Slovakia*

The revenues from those countries were derived from the healthcare sector (CARA) and are attributable to four clients with activities in the primary care sector.

### *Mexico, India and Poland*

The Corporation has places of business in Mexico, Mumbai and Poland which are responsible for operations in these respective countries. During the nine-month period ended December 31, 2018, no revenue was derived from those countries.

## Capacity to generate positive cash flows from operating activities

To generate positive cash flows from its operating activities, the Corporation strives to increase sales receipts and continues to monitor operating costs and related disbursements. The following table contains information taken from the Corporation's interim condensed consolidated financial statements and details the cash flows derived from operating activities:

	Nine-month period ended December 31,		
	2018	2017	Variance
	§		
Net loss	(3,091,603)	(1,855,372)	(1,236,231)
Items not affecting cash	720,152	104,363	615,789
Payment of interest	517,401	583,729	(66,328)
Net change in non-cash operating working capital items	140,229	29,629	110,600
Cash flows from operating activities	<b>(1,713,821)</b>	<b>(1,137,651)</b>	<b>(576,170)</b>

The negative variance in cash flows from operating activities of \$576,170 is mainly attributable to:

	§
Decrease in revenues	(1,310,906)
Decrease in accounts receivable from customers	242,208
Gain on disposal of the mining division	623,919
Others	(131,391)
	<b>(576,170)</b>

## DIAGNOS Inc.

### Capacity to deliver results

The Corporation's sales agreements usually imply rendering services over a defined period of time. Consequently, sufficient working capital and cash liquidities are required to execute the sales agreements and to continue supporting business development initiatives. The Corporation's current level of revenues is not sufficient to cover its expenses and ongoing commitments, thereby resulting in negative cash flows generated from operating activities. The Corporation's ability to generate positive cash flows from operating activities is dependent on achieving and maintaining profitable operations. Since inception, the Corporation has been able to finance its activities and operate on a going concern basis through issuances of shares, stock warrants and debt. To raise additional funds if and when required, the Corporation's current strategy is expected to be, but not limited, to the issuance of common shares, convertible financial instruments and stock warrants.

Based on the current level of liquidities and sales activities, the realization of assets and the discharge of its liabilities in the ordinary course of business remain uncertain. In order to address these uncertainties, the Corporation has implemented some or all of the following measures:

- Continue the process of renewing contracts
- Reduce operating cost
- Continue to seek debt financing
- Continue to seek equity financing
- Continue to evaluate possible M&A opportunities

### Capacity to innovate

To improve existing products and continue to innovate, the Corporation has in place a team of scientists dedicated to the development of CARA. The Corporation's research and development activities are performed at the head office in Canada. The Corporation benefits from research and development (R&D) tax credits where, historically, approximately 15% of its overall R&D expenses are refunded by the Government of Quebec.

For the comparative nine-month period ended December 31, 2018, refundable tax credit provisions in proportion to the overall R&D expenses represent:

	<b>Nine-month period ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
R&D expenses (\$)	695,001	548,868
R&D tax credit provisions (\$)	65,000	60,000
R&D tax credit in proportion to R&D expenses	9%	11%

Based on current activities and current legislation, the R&D tax credit percentage in proportion to R&D expenses is expected to be approximately 10% for the foreseeable future.

**Expenses analysis**

The comparative financial information on expenses, for the comparative three-month and nine-month periods ended December 31, 2018, contained in this table is derived from the Corporation's interim condensed consolidated financial statements and is followed by an analysis of the material variances.

	<b>Three-month period ended</b>		<b>Nine-month period ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	\$		\$	
Costs of services and research and development	276,944	429,172	877,063	998,342
Selling and administrative	573,485	864,061	1,703,584	2,355,384
	<u>850,429</u>	<u>1,293,233</u>	<u>2,580,647</u>	<u>3,353,726</u>
	<b>Variations for the three-month</b>		<b>Variations for the nine-month</b>	
	<b>period ended</b>		<b>period ended</b>	
	<b>December 31, 2018</b>		<b>December 31, 2018</b>	
	\$	%	\$	%
Costs of services and research and development	152,228	35%	121,279	12%
Selling and administrative	290,576	34%	651,800	28%
	<u>442,804</u>	<u>34%</u>	<u>773,079</u>	<u>23%</u>

*Costs of services and research and development*

The decrease of \$121,279, or 12%, for the nine-month period ended December 31, 2018, is mainly attributable to decrease in revenue.

*Selling and administrative*

The decrease of \$651,800, or 28%, for the nine-month period ended December 31, 2018, is mainly attributable to decreases in (i) incentives paid to officers of the Corporation, (ii) consulting fees related to the new corporate image, (iii) the sale of the mining division during the quarter ended June 30, 2017 and (iv) sales commissions related to the decrease in revenue.

# DIAGNOS Inc.

## Financial position analysis

The comparative financial information contained in this section is derived from the Corporation's interim condensed consolidated financial statements.

	As at	
	December 31, 2018	March 31, 2018
	\$	
Cash	417,982	150,291
Accounts receivable	438,465	531,132
Other current assets	846,145	108,528
Non-current assets	151,784	734,296
<b>Total assets</b>	<b>1,854,376</b>	<b>1,524,247</b>
Accounts payable and accrued liabilities	650,789	614,972
Other current liabilities	1,741,793	48,131
Non-current liabilities	3,809,512	4,497,829
Shareholders' deficiency	(4,347,718)	(3,636,685)
<b>Total liabilities and shareholders' deficiency</b>	<b>1,854,376</b>	<b>1,524,247</b>
<b>Working capital (deficiency)</b>	<b>(689,990)</b>	<b>126,848</b>
Decrease in working capital	(816,838)	

The working capital varied as follows:

	\$	
Working capital at the beginning of the period		<b>126,848</b>
Net proceeds from a private placement of convertible debentures	761,500	
Net proceeds from a private placement of shares	2,063,662	
Current portion of long-term debt	(1,638,258)	
Cash flows used in operating activities	(1,974,223)	
Payment of interests	(257,000)	
Others	227,481	(816,838)
Working capital deficiency at the end of the period		<b>(689,990)</b>

## DIAGNOS Inc.

Based on the current level of liquidities and sales activities, the realization of assets and the discharge of liabilities in the ordinary course of business remain uncertain. In order to address these uncertainties and improve its financial position, the Corporation is evaluating the implementation of some or all of the following measures:

Liquidity risk	Risk mitigation measures
Funding of operating and financing expenses	<ul style="list-style-type: none"> <li>• Continue the process of renewing contracts</li> <li>• Reduce operating costs</li> <li>• Continue to seek debt financing</li> <li>• Continue to seek equity financing</li> <li>• Continue to evaluate possible M&amp;A opportunities</li> </ul>

The Corporation believes that with the above measures it will be able to improve its financial position. There is, however, significant risk and uncertainty associated with the measures described above.

### Commitments and off-balance sheet arrangements

As of April 1, 2018, under the terms of an operating lease agreement in Canada, which will expire in September 2019, the Corporation is committed to making minimum annual lease payments of \$109,944 for the duration of the lease.

### Debt and Share information

As at December 31, 2018, the number of common shares and convertible securities outstanding is:

Common shares	212,931,265
Stock warrants	43,810,000
Conversion options	46,950,000
Stock options	13,872,684
	317,563,949

The following table presents the nominal values and fair values of outstanding convertible securities:

	As at				
	Number	Maturity date	Nominal value	December 31, 2018	March 31, 2018
				Fair value	
\$					
Unsecured convertible promissory notes	20	October 13, 2020	1,000,000	865,891	829,910
Secured convertible debentures	153	July 29, 2019	1,530,000	1,636,258	1,525,651
Secured convertible debentures	261	April 13, 2020	2,610,000	2,269,970	2,109,679
Secured convertible debentures	16	July 4, 2021	800,000	632,981	-
			5,940,000	5,405,100	4,465,240

As at December 31, 2018, interests on unsecured convertible promissory notes amounting to \$5,000 were in default of payment.

As at December 31, 2018, interests on secured convertible debentures amounting to \$168,750 were in default of payment.

## DIAGNOS Inc.

### Transactions between related parties

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

Transactions with key management personnel, directors and officers are as follows:

	Three-month period ended			Nine-month period ended		
	December 31,			December 31,		
	2018	2017	Δ	2018	2017	Δ
	\$			\$		
Base Salary	130,000	130,000	0%	390,000	382,500	2%
Stock based compensation	35,017	63,826	(45%)	105,049	127,652	(18%)
Incentives	45,000	-	n/a	70,000	150,000	(53%)
Sales commissions	-	65,181	(100%)	1,380	110,971	(99%)
Interest on demand loan	485	606	(20%)	1,455	1,819	(20%)
Payment of interest on demand loan	(485)	(606)	(20%)	(1,455)	(1,819)	(20%)
	210,017	259,007	(19%)	566,429	771,123	(27%)

The decrease in stock based compensation is attributable to a decrease in the number of stock options granted during the last 12 months.

The decrease in sales commissions is attributable to the decrease in revenue.

The following table presents the outstanding balances with key management personnel.

	As at	
	December 31, 2018	March 31, 2018
	\$	
Demand loan receivable, annual interest rate of 4%	45,294	46,749
Sales commissions advance, no interest	20,841	21,558
Convertible debentures, annual nominal interest rate of 10%	(30,000)	(30,000)
Convertible notes, annual nominal interest rate of 10%	(500,000)	(500,000)

### Risk management

The Corporation is exposed to risks which could have an impact on its capacity to reach its strategic growth objectives. The Corporation strives to control and mitigate the risks through management practices that require the identification and analysis of the risks related to its operations. A detailed description of these risks can be found in the March 31, 2018 Management Discussion & Analysis available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

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**Stock Exchange Listing**

DIAGNOS Inc. shares 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