DIAGNOS

Your Knowledge Partner

DIAGNOS Inc.

Interim Unaudited Condensed Consolidated Financial Statements
Three-month period ended June 30, 2017

DIAGNOS Inc.

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DIAGNOS Inc.

Interim Condensed Consolidated Statements of Financial Position (unaudited)

(amounts in Canadian dollars)

	Note	As at	
		June 30, 2017	March 31, 2017 (restated - see note 24)
		$	
ASSETS			
Current			
Cash		437,022	189,861
Short-term investments	5	784,827	84,827
Accounts receivable	6	541,746	786,274
Prepaid expenses		12,416	15,467
Intangible assets held for sale	9, 23	-	16,081
		1,776,011	1,092,510
Non-current			
Investments	7	765,923	-
Capital assets	8	161,884	207,432
Intangible assets	9	6,015	9,303
		933,822	216,735
Total assets		**2,709,833**	**1,309,245**
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10	591,704	934,383
Deferred revenue		-	8,200
Loans	11	-	683,000
Convertible Debentures	13	183,990	1,017,419
Leases	14	9,456	9,456
		785,150	2,652,458
Non-current			
Convertible Debentures	13	3,418,784	1,538,244
Leases	14	29,564	32,815
		3,448,348	1,571,059
Total liabilities		**4,233,498**	**4,223,517**
Commitments	17		
SHAREHOLDERS' DEFICIENCY			
Share capital	15	21,662,186	20,368,019
Reserve	16	7,372,885	6,865,731
Deficit		(30,690,258)	(30,213,847)
Investments revaluation reserve		(6,000)	(6,000)
Foreign exchange differences		137,522	71,825
		(1,523,665)	(2,914,272)
Total liabilities and shareholders' deficiency		**2,709,833**	**1,309,245**

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

DIAGNOS Inc.

Interim Condensed Consolidated Statements of Earnings and Comprehensive Loss (unaudited)

(amounts in Canadian dollars)

	Note	Three-month period ended June 30, 2017			2016		
		From continuing operations	From discontinuing operations (note 23)	Total	From continuing operations	From discontinuing operations (note 23)	Total
				$			
Revenue	21	**19,398**	**320,000**	**339,398**	**105,407**	**160,133**	**265,540**
Expenses							
Costs of services and research and development		250,062	24,207	274,269	261,016	70,814	331,830
Selling and administrative		895,055	47,964	943,019	310,850	174,804	485,654
	19	1,145,117	72,171	1,217,288	571,866	245,618	817,484
Profit (loss) before other items		**(1,125,719)**	**247,829**	**(877,890)**	**(466,459)**	**(85,485)**	**(551,944)**
Interest expense		(222,440)	-	(222,440)	(136,491)	-	(136,491)
Gain on disposals of intangible assets		-	623,919	623,919	-	-	-
Net proft (loss)		**(1,348,159)**	**871,748**	**(476,411)**	**(602,950)**	**(85,485)**	**(688,435)**
Items that may be reclassified to net loss							
Net change in value of available-for-sale financial assets		-	-	-	89,240	-	89,240
Net change in foreign exchange translation		65,697	-	65,697	(6,746)	-	(6,746)
Realized gain (loss) on disposal of available-for-sale financial assets		-	-	-	32,843	-	32,843
		65,697	-	65,697	115,337	-	115,337
Comprehensive (loss) income		**(1,282,462)**	**871,748**	**(410,714)**	**(487,613)**	**(85,485)**	**(573,098)**
Basic and diluted comprehensive (loss) income per share		**(0.01)**	**0.01**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.01)**
Weighted-average number of common shares outstanding				163,606,431			106,163,823

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

DIAGNOS Inc.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)

(amounts in Canadian dollars)

Three-month period ended June 30, 2017

	Note	Share capital	Reserve	Deficit	Foreign exchange differences	Investments revaluation reserve	Total equity
		$	$	$	$	$	$
Balance, beginning of period	24	**20,368,019**	**6,865,731**	**(30,213,847)**	**71,825**	**(6,000)**	**(2,914,272)**
Net loss		-	-	(476,411)	-	-	(476,411)
Other comprehensive loss items		-	-	-	65,697	-	65,697
Issuance of common shares	15	1,294,167	-	-	-	-	1,294,167
Issuance of conversion options	16	-	452,017	-	-	-	452,017
Issuance of warrants	16	-	72,333	-	-	-	72,333
Issue expenses	16	-	(36,786)	-	-	-	(36,786)
Stock-based compensation expense	15,16	-	19,590	-	-	-	19,590
Balance, end of period		**21,662,186**	**7,372,885**	**(30,690,258)**	**137,522**	**(6,000)**	**(1,523,665)**

Three-month period ended June 30, 2016

	Note	Share capital	Reserve	Deficit	Foreign exchange differences	Investments revaluation reserve	Total equity
		$	$	$	$	$	$
Balance, beginning of period		**18,163,302**	**6,020,477**	**(27,284,302)**	**13,145**	**(61,583)**	**(3,148,961)**
Net loss		-	-	(688,435)	-	-	(688,435)
Other comprehensive loss		-	-	-	(6,746)	122,084	115,338
Issuance of warrants	16	-	138,411	-	-	-	138,411
Stock-based compensation expense	15,16	-	26,502	-	-	-	26,502
Balance, end of period		**18,163,302**	**6,185,390**	**(27,972,737)**	**6,399**	**60,501**	**(3,557,145)**

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

DIAGNOS Inc.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)
(amounts in Canadian dollars)

	Note	Three-month period ended June 30, 2017	2016
		$	
Cash flows from operating activities			
Net loss		(476,411)	(688,435)
Items not affecting cash			
Depreciation of capital assets		45,548	11,621
Amortization of intangible assets	9	3,288	4,701
Accretion on loans	11	-	4,000
Accretion on leases	14	1,173	-
Accretion on convertible notes	12	-	3,838
Accretion on convertible debentures	13	62,732	10,000
Gain on settlement of debt		-	(10,000)
(Gain) loss on disposal of intangible assets	23	(4,719)	-
(Gain) loss on disposal of goodwill	23	(619,200)	-
Compounded interest	13	(4,950)	57,250
Stock-based compensation expense	15,16	19,590	26,502
Loss from associate	7	74,077	-
(Gain) loss on disposal of investments	7	-	32,843
(Gain) loss on accounts receivable payable in shares		-	(34,000)
		(898,873)	(581,680)
Payment of interest		177,346	46,722
Net change in non-cash operating working capital items		(303,300)	107,496
		(1,024,827)	**(427,462)**
Cash flows from investing activities			
Additions to short-term investments		(700,000)	(319)
Proceeds from disposal of investments	7	-	67,990
Additions to capital assets	8	-	(22,174)
Additions to intangible assets	9	-	(23,499)
Other		65,697	(6,746)
		(634,303)	**15,252**
Cash flows from financing activities			
Issuance of common shares, net of issue expenses	15	344,167	-
Repayment of Short term loan	11	(533,000)	-
Issuance of loans	11	-	244,012
Lease payments	14	(4,424)	-
Repayment of convertible notes	12	-	(130,000)
Issuance of convertible debentures, net of issue expenses	13	1,789,330	-
Convertible debentures issue expenses		-	(23,291)
Issuance of conversion options, net of issue expenses	16	420,305	-
Issuance of warrants, net of issue expenses	16	67,259	53,652
Payment of interest		(177,346)	(46,722)
		1,906,291	**97,651**
Net change in cash		**247,161**	**(314,559)**

(continued on next page)

Interim Condensed Consolidated Statements of Cash Flows (unaudited) (continued)
(amounts in Canadian dollars)

		Three-month period ended June 30,	
	Note	2017	2016
		$	
Net change in cash		**247,161**	**(314,559)**
Cash, beginning of period		189,861	477,015
Cash, end of period		**437,022**	**162,456**
Non-cash transactions			
Value of payment in shares of customer receivables		200,000	85,000
Payments in shares of sale of goodwill	23	619,200	-
Payments in shares of sale of intangible assets	23	20,800	-
Issuance of convertible debentures	13	150,000	845,241
Issuance of warrants	13,16	-	84,759
Conversion of debentures into common shares	13	950,000	-

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

1. Going concern assumptions

These interim unaudited condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

In order to address these uncertainties, the Corporation is evaluating the implementation of some or all of the following measures:

- Continue the process of renewing contracts
- Reduce operating costs with temporary staff lay-offs, curtail certain consulting and travel costs
- Continue to seek debt financing (refer to note 22)
- Continue to seek equity financing consisting of common shares and stock purchase warrants
- Continue to evaluate possible M&A opportunities

The Corporation believes that if it were to be successful in implementing some or all of the above risk mitigating measures, it will be able to continue as a going concern. There remains however, significant risk and uncertainty associated with implementing any of these measures which are dependent on a number of factors outside of the Corporation's control.

On April 27, 2017, the Corporation closed a non-brokered private placement for an aggregate value of $2,610,000 of which gross cash proceeds amounted to $2,460,000 following the conversion of one outstanding short term loan into 15 units representing $150,000 (note 13).

These interim unaudited condensed consolidated financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. Such adjustments, if required, may be material.

2. Statutes of incorporation and nature of activities

DIAGNOS Inc. and its subsidiaries ("the Corporation") were incorporated under the Canada Business Corporations Act, the General Corporation Law of Delaware, USA, the India Companies Act, the companies laws of Poland and the companies laws of Mexico. The main office is located at 7005 Taschereau Blvd., Suite 340, Brossard, Quebec, Canada. The shares of the Corporation are listed on the TSX Venture Exchange.

The Corporation provides software-based interpretation services to assist health specialists in the detection of diabetic retinopathy.

These interim unaudited condensed consolidated financial statements have been approved by the Board of Directors of the Corporation on August 28, 2017.

3. Basis of consolidation and summary of accounting policies

Basis of presentation
These interim unaudited 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 at June 30, 2017 is as follows:

Name of subsidiary	Location	Percentage of ownership
DMS & Technologies Inc.	Canada	100%
8913404 Canada Inc.	Canada	100%
Diagnos (USA) Inc.	United States of America	100%
Diagnos Poland sp. Z o.o.	Poland	100%
Diagnos Internacional SA de CV	Mexico	99.8%
Diagnos Healthcare (India) Private Limited	India	99.74%

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

Summary of accounting policies
These interim unaudited condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). These policies have been applied throughout the year unless otherwise stated. The following is a list of the significant accounting policies.

a) General
The interim unaudited condensed consolidated financial statements have been prepared and measured at historical cost, except for certain financial instruments that are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets acquired and liabilities assumed.

b) Revenue recognition
Revenue represents the fair value of amounts received and receivable from third parties for goods supplied to customers and for services rendered, net of allowances and discounts.

Revenue derived from services is recognized over the period in which the services are rendered and when collection is reasonably assured. Any unbilled services rendered are presented under "Accounts receivable" in the consolidated statements of financial position. Any amount invoiced before the delivery of services or goods is presented under "Deferred revenue" in the consolidated statements of financial position.

Revenue from the sale of products is recognized upon transfer of rights to the customer. Any amount invoiced and received which does not meet the revenue recognition criteria related to this type of sale is presented under "Deferred revenue" in the consolidated statements of financial position.

Where the arrangement includes multiple separate elements, the Corporation evaluates these arrangements to determine whether the multiple elements have value for the customer. In these cases, revenue is allocated to each element based on their fair values and recognized when the above-noted revenue recognition criteria have been satisfied.

c) Interest
Interest is accounted for using the effective interest method. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

d) Investment tax credits
The Corporation records investment tax credits when it believes it has complied with the eligibility requirements as set out in the income tax legislation of Canada and its provinces and collection is reasonably assured. Refundable investment tax credits are presented separately from research and development expenses in the consolidated statements of loss and comprehensive loss. Investment tax credits related to capital expenditures are recorded as reductions of capital assets.

e) Capital assets and depreciation

Capital assets are stated at historical cost less accumulated depreciation, impairment losses and related tax credits. Historical cost includes all costs directly attributable to the acquisition. Computer equipment cost includes software that is integral to its functionality.

Useful lives, residual values and depreciation methods are reviewed at each year-end. Such a review takes into consideration the nature of the assets, their intended use and technological changes.

Depreciation of capital assets is provided on parts that have homogenous lives by using the straight-line method over the estimated useful lives, as follows:

	Annual rates
Office furniture and equipment	20%
Computer and medical equipment	50%
Leasehold improvements	Lesser of the lease term and the useful life

f) Intangible assets and amortization

Intangible assets are stated at historical cost less accumulated amortization, impairment losses and related tax credits. Historical cost includes all costs directly attributable to the acquisition.

Amortization of intangible assets is provided by using the straight-line method over the estimated useful lives, as follows:

	Annual rates
Mineral claims	50%
Computer software	50%

g) Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation assesses whether there is any indication that an asset has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

h) Income taxes

The Corporation uses the liability method of accounting for income tax. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantially enacted income tax rates expected to be in effect for the period in which the differences are expected to reverse. To the extent that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized, the deferred tax asset is not recognized.

i) Research and development expenses

All expenses related to development activities, which do not meet generally accepted criteria for deferral, and research expenses are expensed as incurred. Development expenses, which meet generally accepted criteria for deferral, are capitalized and amortized over the estimated period of benefit. For the periods presented in these interim unaudited condensed consolidated financial statements, all expenses related to development activities were expensed as incurred.

j) Loss per share

The loss per share is determined using the weighted-average number of common shares outstanding during the year.

The diluted loss per share, which is calculated according to the treasury stock method, is equal to the basic loss per share due to the anti-dilution effect of the stock option plan, the warrants and conversion options.

k) Stock-based compensation

Stock-based compensation is recorded as an expense in the consolidated statements of loss and comprehensive loss, using the fair value obtained by applying the Black - Scholes option pricing model, with a corresponding credit to reserve. The compensation expense is amortized according to the graded vesting method over the vesting period. Upon exercise of stock options, the accumulated compensation is reduced from reserve and added to share capital.

l) Equity

Share capital is recorded at the subscribed value of the shares issued.

Reserve is composed of stock-based compensation, issuance of conversion options and issuance of stock warrants less accumulated stock-based compensation on exercise of stock options.

Gains and losses related to the revaluation of certain financial instruments are included in the investments revaluation reserve amount.

Deficit includes the profits and losses from the current year and prior years.

Costs related to the issuance of shares, stock warrants or stock options are recorded in equity, net of tax, as a deduction of the issuance proceeds.

m) Financial instruments

The Corporation aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally on the date of the transaction. Consequently, the Corporation classified its financial assets and liabilities as follows:

- Cash is classified as loans and receivables and is measured at amortized cost using the effective interest rate method;

- Short-term investments are classified as financial assets at Fair Value Through Profit or Loss (“FVTPL”) and are measured at fair value. Gains and losses from periodic revaluation are recognized through Profit or loss;

- Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method;

- Investments in subsidiaries are initially recorded at cost and are eliminated when preparing the consolidated financial statements;

- Investments in associates are initially recorded at cost and are subsequently adjusted to reflect the Corporation’s shares in the net profit or loss of the associate;

- Investments in entities other than subsidiaries and associates, discussed above, are classified as available for sale and are measured at fair value. Changes in fair value are recognized in other comprehensive loss. In the case where the fair value cannot be determined, investments are measured and presented at cost. Investments in the form of securities from payment of trade receivables are measured at the receivable amount. Any difference between the receivable amount, at settlement date, and the fair value of the shares received is recognized in the consolidated statements of earnings and comprehensive loss;

- Accounts payable, accrued liabilities, convertible notes, convertible debentures and leases are classified as other liabilities and are measured at amortized cost using the effective interest rate method; and,

- Transaction costs related to FVTPL financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest rate method.

The component parts of compound instruments (convertible notes and convertible debentures) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Corporation's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

The values of component parts classified as equity are determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Available-for-sale assets

Available-for-sale assets are non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other categories. They are included in current assets when they will be realized within 12 months of the reporting date, otherwise they are classified as non-current assets. The Company includes miscellaneous equity investments in this category.

Financial instruments included in this category are initially recognized at fair value plus directly attributable transaction costs. Subsequently, available-for-sale assets are measured at fair value, and unrealized gains or losses are recognized in other comprehensive income.

However, when a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence of prolonged impairment, the cumulative loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized for available-for-sale assets are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale (other than an equity security) increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

When the asset is sold or the impairment charge is recognized, the accumulated gains or losses in other comprehensive income are reclassified to profit or loss and the reclassification is shown separately in the statement of comprehensive income. Foreign exchange gains and losses on financial assets classified as available for sale are recorded in other comprehensive income.

This category is used by the Company to classify investments in equity securities of unconsolidated entities that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. These investments are accounted for at cost. If there is objective evidence that these assets are impaired, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

Financial assets and financial liabilities at fair value through profit or loss

All of the financial instruments in this category meet the definition of financial assets or financial liabilities held for trading. These financial instruments are held for the purpose of selling them in the short term. Derivatives are included in this category unless they are a designated and effective hedging instrument. The financial instruments included in this category are initially and subsequently recognized at fair value. Directly attributable transaction costs and changes in fair value are recognized in profit or loss. The instruments classified in this category are presented under current assets and current liabilities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets when they will be realized within 12 months of the reporting date, otherwise they are classified as non-current assets. The Company includes cash and cash equivalents, and trade and other receivables in this category.

Financial instruments included in this category are initially recognized at fair value plus directly attributable transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method. If there is objective evidence that an impairment loss on individual loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account or directly if the account is deemed uncollectible. When loans and receivables are deemed to be uncollectible after recording an allowance, they are written off against the allowance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal is limited to what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the impairment loss and the amount of the reversal are recognized in profit or loss.

n) Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Finance leases are recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

o) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

p) Foreign currency translation

For the purpose of the interim unaudited condensed consolidated financial statements, the profit or loss and financial position of each group entity are expressed in Canadian dollars, which is the functional and presentation currency of the Corporation.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Corporation at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized as financial expense in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Canadian dollars using exchange rates prevailing at the end of the reporting period. Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising from the translation process of net investments in foreign operations are recognized as foreign currency translation adjustments in other comprehensive loss under investments revaluation reserve and accumulated in equity.

q) Assets held for sale and discontinued operations

Assets and liabilities held for disposal are no longer depreciated and are presented separately in the statement of financial position at the lower of their carrying amount and fair value less costs to sell. An asset is regarded as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable.

A discontinued operation represents a major line of business or geographic area of operations for the Company that either has been disposed of or is classified as held for sale. The items in the statement of financial position related to these discontinued operations are presented on specific lines in the interim unaudited condensed consolidated financial statements. Profit or loss items related to these discontinued operations are shown separately in the interim unaudited condensed consolidated financial statements for all periods presented if they are material to the Company.

Changes in accounting policies not yet adopted

The International Accounting Standards Board (IASB) made revisions as part of its continuing improvements project. Below is a summary of the relevant standards affected and a discussion of the amendments.

a) IFRS 9, Financial Instruments

The IASB issued IFRS 9 in November 2009 with the long-term goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. Several amendments have been made to this standard since that date including amendments made in July and August 2014 relating to the classification of financial assets and the use of a single impairment model for all financial instruments.

These amendments, along with the adoption of the standard, are effective for annual reporting periods beginning on or after January 1, 2018. The Corporation is currently assessing the impact of this new standard on its consolidated financial statements.

b) IFRS 15, Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers with its goal to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This new standard will supersede current revenue recognition guidance in IAS 18, Revenue, IAS 11, Construction Contracts and IFRIC 13, Customer Loyalty Programmes.

The objective of this standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue when performance obligations are satisfied. In certain instances, transfer of assets that are not related to the entity’s ordinary activities will also be required to follow some of the recognition and measurement requirements of the new model. The standard also expands current disclosure requirements.

On April 12, 2016, the IASB amended IFRS 15 to comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

With regards to identifying performance obligations, the amendments clarify how to determine when promises in a contract are ‘distinct’ goods or services and, therefore, should be accounted for separately. The amendments to licensing guidance clarify when revenue from a licence of intellectual property should be recognized ‘over time’ and when it should be recognised at a ‘point in time’. With regards to the principal versus agent assessment, the amendments clarify that the principal in an arrangement controls a good or service before it is transferred to a customer.

This standard and related amendments are effective for annual reporting periods beginning on or after January 1, 2018. The Corporation is currently assessing the impact of this new standard on its consolidated financial statements.

c) IFRS 16, Leases

In January 2016, IASB issued the new standard IFRS 16 - Leases which replaces the previous standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer/lessee and the supplier/lessor. More specifically, IFRS 16 is requiring assessing whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. In such cases, leases are capitalised as “right-of-use assets” or as “property, plant and equipment”. Therefore, the new requirement eliminates the classification of leases as either operating leases or finance leases for a lessee.

The new standard is effective for the annual period beginning on January 1, 2019. The Corporation is currently assessing the impact of this new standard on its consolidated financial statements.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Corporation’s significant accounting policies, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The following are the key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) Going concern

The Corporation's ability to continue as a going concern is dependent on securing additional and immediate financing and on achieving and maintaining profitable operations. Management has to assess the outcome of these matters when preparing the Corporation’s consolidated financial statements. The Corporation’s current level of operations is not sufficient to cover its expenses and ongoing commitments, resulting in the negative cash flows generated from its operating activities. 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 shares, stock warrants, convertible notes, convertible debentures and demand loans. However, there is no guarantee that such financing will be available going forward (refer to note 1).

b) Tax credits on research and development expenses

The Corporation’s receivables include refundable tax credits on research and development (R&D) expenses. Management has to make a critical judgment related to the eligibility of R&D expenses with regards to the provisions of the current tax credits programs.

c) Stock-based compensation

Stock-based compensation involves the valuation of grants of stock options. The Corporation relies on the fair value obtained by applying the Black - Scholes option pricing model. This model requires making assumptions related to the risk-free interest rate (with a term that matches the expected life of the options), the expected stock price volatility, the expected life of the options and the expected dividend yield on the Corporation's shares. Management also has to estimate the number of options that will eventually vest. Management relies on past experience to make these estimates.

d) Fair value of financial instruments

Financial instruments are presented at fair value. In the absence of active markets in the evaluation of financial assets and financial liabilities, the Corporation relies on evaluation techniques based on inputs that are not based on observable market data which could cause the actual results to differ from the estimates.

5. Short-term investments

	As at	
	June 30, 2017	March 31, 2017
	$	
Guaranteed investment certificates, bearing interest between 0.71% and 1.75% (March 31, 2017 - same) and maturing between July 22, 2017 and June 13, 2018 (March 31, 2017 - same)	784,827	84,827

Guaranteed investment certificates are cashable without any penalties and therefore are presented as “current” in the statement of financial position.

Guaranteed investment certificates in the amount of $80,000 (March 31, 2017 - same) are pledged as security for an account payable of $15,364 (March 31, 2017 - $38,603).

6. Accounts receivable

	As at	
	June 30, 2017	March 31, 2017
	$	
Customers	323,419	576,837
Tax credits on research and development expenses	116,803	96,803
Demand loan bearing annual interest rate of 4% (Note 22)	48,204	43,500
Sales taxes	47,622	65,760
Deposits	2,964	2,964
Others, net of allowance for doubtful accounts	2,734	410
	541,746	786,274

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

7. Investments

	Number of companies	As at June 30, 2017	As at March 31, 2017
		$	
Shares of publicly traded companies	1 (March 31, 2017 - 1)	-	-
Shares of private companies	3 (March 31, 2017 - 3)	-	-
Shares of associates	2 (March 31, 2017 - 1)	765,923	-
		765,923	-

Investments in publicly traded companies and private companies over which the Corporation does not exercise significant influence are classified as available-for-sale and are measured at fair value. Changes in fair value are recognized in other comprehensive loss. In the case where the fair value cannot be determined, investments are measured and presented at cost.

The Corporation holds 48 common shares, or 48% (March 31, 2017 – same), of SARL Diagnos Medical, an Algerian corporation. The Corporation holds 10,500,000 common shares, or 21.5% (March 31, 2017 – nil), of Albert mining Inc. (formerly Majescor resources Inc.), a Canadian corporation. These investments are considered investments in associates. Investments in associates are initially recorded at cost and are subsequently adjusted to reflect the Corporation's shares in the net profit or loss of the associate.

The following tables disclose a reconciliation of changes in investments:

	As at June 30, 2017	As at June 30, 2016
	$	
Balance, beginning of period	**-**	**129,250**
Addition in shares of associate	840,000	85,000
Share of profit (loss) from associates	(74,077)	-
Proceeds from disposal	-	(67,990)
Gain (loss) on disposal of investments	-	(32,843)
Realized (gain) loss on disposal of available-for-sale financial assets	-	32,843
Net change in value	-	89,240
Balance, end of period	**765,923**	**235,500**

Share of profit (loss) of associates is detailed as follows :

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016
	$	
Revenue of the associates	-	-
Expenses of the associates	(344,544)	-
Net profit (loss) of the associates	(344,544)	-
Share of profit (loss) of the associates	**(74,077)**	**-**

8. Capital assets

During the three-month period ended June 30 2017, there has been no purchase of fixed assets. During the three-month period ended June 30, 2016, the additions to fixed assets of $22,174 are mainly attributable to purchases of computer equipment.

9. Intangible assets

The following tables disclose a reconciliation of changes in intangible assets:

		Three-month period ended June 30, 2017		
	Note	Mineral claims	Computer software	Total
			$	
Cost, beginning of period		**39,696**	**142,856**	**182,552**
Additions		-	-	-
Disposals	23	(39,696)	-	(39,696)
Cost, end of period		**-**	**142,856**	**142,856**
Accumulated amortization, beginning of period		**23,615**	**133,553**	**157,168**
Amortization		-	3,288	3,288
Disposals	23	(23,615)	-	(23,615)
Accumulated amortization, end of period		**-**	**136,841**	**136,841**
Net carrying value at end of period		**-**	**6,015**	**6,015**

	Three-month period ended June 30, 2016		
	Mineral claims	Computer software	Total
		$	
Cost, beginning of period	**18,256**	**134,985**	**153,241**
Additions	16,695	6,804	23,499
Cost, end of period	**34,951**	**141,789**	**176,740**
Accumulated amortization, beginning of period	**12,139**	**119,326**	**131,465**
Amortization	2,500	2,201	4,701
Accumulated amortization, end of period	**14,639**	**121,527**	**136,166**
Net carrying value at end of period	**20,312**	**20,262**	**40,574**

10. Accounts payable and accrued liabilities

	As at	
	June 30, 2017	March 31, 2017
	$	
Accounts payable and accrued liabilities	344,130	621,468
Salaries and benefits	214,541	251,791
Sales taxes	33,033	61,124
	591,704	934,383

11. Loans

	As at	
	June 30, 2017	March 31, 2017
	$	
Unsecured non-convertible loans	-	683,000

During the quarter ended December 31, 2016, one loan in the amount of $150,000 was repaid in full. On April 13, 2017, the remaining loan of $150,000 was converted into a $150,000 secured convertible redeemable debenture as part of a private placement (note 13).

During the quarter ended September 30, 2016, the Corporation entered into the following unsecured non-convertible loan agreements for an aggregate value of $200,000;

- One loan for $100,000 bearing interest at an annual rate of 10%. This loan was repaid in full during the quarter ended December 31, 2016.
- One loan for $100,000 bearing interest at a monthly rate of 2%**.** This loan was repaid in full during the quarter ended September 30, 2016.

During the quarter ended June 30, 2016, the Corporation entered into two unsecured non-convertible loan agreements ("2017-Q1 Loans") for an aggregate value of $300,000. The 2017-Q1 Loans bear interest at an annual rate of 12% and mature between April 24, 2017 and June 7, 2017. As part of the 2017-Q1 Loans, the Corporation has granted a total of 2,750,000 bonus stock warrants entitling the lenders to purchase 2,750,000 shares of the Corporation at a price of $0.05 and $0.06 per share for a period of twelve months. The fair value of the stock warrants has been established at $0.02 per warrant, or $55,988 in aggregate, using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life:	1 year	Risk-free interest rate:	0.86%
Liquidity discount:	25%	Volatility:	111.36%

In March 2016, the Corporation entered into three unsecured non-convertible loan agreements ("Loans") for an aggregate value of $533,000. The Loans bear interest at an annual rate of 12% and mature between March 6, 2017 and March 22, 2017. As part of the Loans, the Corporation has granted a total of 5,332,500 bonus stock warrants entitling lenders to purchase 5,332,500 shares of the Corporation at a price of $0.05 per share for a period of twelve months. The fair value of the warrants has been established at $0.011 per warrant, or $58,341 in aggregate, using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life:	1 year	Risk-free interest rate:	0.86%
Liquidity discount:	25%	Volatility:	92.15%

As at March 31, 2017, these loans were in default. They were repaid in full during the months of April and May 2017.

The following table presents a reconciliation of changes in the loans for the comparative three-month periods ended June 30, 2017.

	As at	
	June 30, 2017	June 30, 2016
	$	
Balance, beginning of period	**683,000**	**474,659**
Conversion of loan into secured convertible debentures	(150,000)	-
Proceeds from unsecured non-convertible loans	-	300,000
Issuance of stock warrants	-	(55,988)
Accretion	-	4,000
Repayment	(533,000)	-
Balance, end of period	**-**	**722,671**

12. Convertible Notes

During the quarter ended June 30, 2016, in repayment of the Unsecured convertible promissory notes (each a “Note”) which became due for repayment between March 31 and May 2, 2016, the Corporation issued $930,000 worth of senior secured convertible debentures and 4,650,000 stock warrants (see note 13) and paid cash amounts of $130,000 to some of the holders of the Notes.

The following table presents a reconciliation of changes in convertible notes for the comparative three-month periods ended June 30, 2017.

	Three-month period ended June 30,	
	2017	2016
	$	
Balance, beginning of period	**-**	**1,066,162**
Accretion	-	3,838
Issuance of convertible debentures	-	(930,000)
Repayment in cash	-	(130,000)
Gain on settlement of debt	-	(10,000)
Balance, end of period	**-**	**-**

13. Convertible Debentures

	As at	
	June 30, 2017	March 31, 2017
	$	
Secured convertible debentures	4,330,000	2,670,000
Fair value discount	(666,932)	(182,446)
Compounded interest expense	171,200	176,150
Issue expenses	(231,494)	(108,041)
	3,602,774	2,555,663
Secured convertible debentures - short term	183,990	1,017,419
Secured convertible debentures - long term	3,418,784	1,538,244

During the quarter ended June 30, 2017, as part of a private placement, the Corporation issued for $2.61 million worth of senior secured convertible debentures (each a “Q1-2018 Debenture”). The Q1-2018 Debentures bear interest at an annual rate of 10%, and will mature on April 13, 2020 (the “Maturity Date”). At the sole option of the Q1-2018 Debenture holders, the principal amount of the Q1-2018 Debentures may be converted at any time, in whole or in part, into common shares of the Corporation (each a “Share”) at a price of $0.15 per Share. Any accrued interest on the principal, at the time of conversion, will be immediately payable in cash. If, at any time after the first anniversary of the Q1-2018 Debenture and until maturity, the volume weighted average price of the Shares on the TSX Venture Exchange is equal to or higher than $0.27 for 20 consecutive trading days, the Q1-2018 Debentures shall be redeemable, in whole or in part, at the sole option of the Corporation, into Shares of the Corporation at a price of $0.15 per Share. Any accrued interest on the principal, at time of redemption, will be immediately payable in cash. At the sole option of the Corporation, at any time after the first anniversary of the Q1-2018 Debenture and until maturity, it may repay all or part of the outstanding Q1-2018 Debentures by making a cash payment equal to the principal amount of the Q1-2018 Debentures plus a premium of 25% of the principal amount owing. Any accrued interest on the principal, at time of early repayment, will be immediately payable in cash. As part of the private placement, 5,220,000 stock warrants (each a “Warrant”) were issued to the Q1-2018 debenture holders entitling the holder to purchase one Share of the Corporation per Warrant at a price of $0.22 per Share for a period of 18 months from the date of issuance.

The fair value of the Q1-2018 Debentures has been established at $2,085,650 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity:	3 years	Nominal interest rate:	10%
Interest payment frequency:	4 per year	Effective interest rate:	22.16%

Of the difference of $524,350 between the nominal value of the Debentures, $2,610,000, and its fair value of $2,085,650, an amount of $452,017 has been allocated to the conversion options and an amount of $72,333 has been allocated to the stock warrants prorated based on their respective fair values using the Black-Scoles option pricing model with the following weighted average assumptions:

Stock warrants:

Expected life:	18 months	Risk-free interest rate:	0.86%
Liquidity discount:	25%	Volatility:	101.19%

Conversion options:

Expected life:	3 years	Risk-free interest rate:	0.86%
Liquidity discount:	25%	Volatility:	101.19%

During the quarter ended September 30, 2016, as part of a non-brokered private placement, the Corporation issued $190,000 worth of senior secured convertible debentures (each a “Q2-2017 Debenture”) and 950,000 stock warrants (each a “Q2-2017 Warrant”). The Q2-2017 Debentures bear interest at an annual rate of 12%, and will mature on July 22, 2017. The Q2-2017 Warrants entitle the holder to purchase one Common Share (“Share”) at a price of $0.06 per Share until July 22, 2017. At the sole option of the holders of the Q2-2017 Debentures, the principal amount of the Q2-2017 Debentures may be converted at any time during the 1-year term, in whole or in part, into common shares of the Corporation (each a “Share”) at a price of $0.06 per common share. Any accrued interest on the principal, at time of conversion, is immediately payable in cash.

On May 3 and May 18, 2016, as part of a non-brokered private placement, the Corporation issued $930,000 worth of senior secured convertible debentures (each a “Q1-2017 Debenture”) and 4,650,000 stock warrants (each a “Q1-2017 Warrant”). The Q1-2017 Debentures bear interest at an annual rate of 12%, and will mature on May 3, 2017. The Q1-2017 Warrants entitle the holder to purchase one Common Share (“Share”) at a price of $0.06 per Share until May 3, 2017. At the sole option of the holders of the Q1-2017 Debentures, the principal amount of the Q1-2017 Debentures may be converted at any time during the 1-year term, in whole or in part, into common shares of the Corporation (“Share”) at a price of $0.06 per common share. Any accrued interest on the principal, at time of conversion, is immediately payable in cash. During the quarter ended June 30, 2017, all of the remaining Q1-2017 Debentures were converted into common shares of the Corporation.

There were no cash proceeds as the Q1-2017 Debentures and Q1-2017 Warrants were issued solely in settlement of outstanding debt pertaining to Unsecured Convertible and Redeemable Promissory Notes, bearing interest at 10%, with a conversion and redemption price of $0.16, issued between March 31, 2014 and May 2, 2014.

The fair value of the Q1-2017 and Q2-2017 Debentures has been established at $966,567 resulting from the difference between their nominal values of $1,120,000 and the fair value of the conversion options of $59,195 and the fair value of the warrants of $94,238 net of issue expenses.

On July 29 and August 7, 2015, as part of a private placement, the Corporation issued $2.29 million of senior secured convertible debentures (each a “Debenture”). The Debentures bear interest at an annual rate of 10%, and will mature on July 29, 2019 (the “Maturity Date”). Interest on the Debentures is calculated from their date of issue and will be paid quarterly in arrears beginning October 29, 2016. Interest for the first year will be paid at the Maturity Date and will be compounded annually. At the sole option of the Debenture holders, the principal amount of the Debentures may be converted at any time, in whole or in part, into common shares of the Corporation (“Common Shares”) at a price of $0.10 per Common Share. Any accrued interest on the principal, at the time of conversion, will be immediately payable in cash.

The fair value of the Debentures has been established at $1,743,550 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity:	4 years	Nominal interest rate:	10%
Interest payment frequency:	4 per year	Effective interest rate:	20.03%

The fair value of the conversion options has been established at $546,450 resulting from the difference between the nominal value of the Debentures, $2,290,000 and its fair value of $1,743,550.

The following table presents a reconciliation of changes in convertible debentures for the comparative three-month periods ended June 30, 2017:

	As at	
	June 30, 2017	June 30, 2016
	$	
Balance, beginning of period	**2,555,663**	**2,493,547**
Proceeds from private placement	2,460,000	930,000
Conversion of loan	150,000	-
Conversion into common shares	(950,000)	-
Accretion	62,732	10,000
Compounded interest	(4,950)	-
Issue expenses	(146,321)	(23,291)
Issuance of stock warrants	(72,333)	(84,759)
Issuance of conversion options	(452,017)	-
Balance, end of period	**3,602,774**	**3,325,497**

14. Leases

	As at	
	June 30, 2017	March 31, 2017
	$	
Finance leases	45,144	49,567
Lease fair value discount	(6,124)	(7,296)
	39,020	42,271
Finance leases - short term	9,456	9,456
Finance leases - long term	29,564	32,815

During the year ended March 31, 2017, the Corporation entered into two finance lease agreements for the purchase of computer equipment. The minimum monthly payments amount to $1,475 for a term of 36 months ending in November and December 2019. The fair value of the leases has been established at $44,792 using the discounted cash flows valuation method with the following weighted average assumptions:

Maturity:	3 years	Nominal interest rate:	0%
payment frequency:	12 per year	Effective interest rate:	12%

The following table presents a reconciliation of changes in leases for the comparative three-month periods ended June 30, 2017:

	Three-month period ended June 30,	
	2017	2016
	$	
Balance, beginning of period	**42,271**	**-**
Payments	(4,424)	-
Accretion	1,173	-
Balance, end of period	**39,020**	**-**

15. Share capital

As at June 30, 2017 and March 31, 2017, share capital is composed of common shares without par value of which 169,061,060 (March 31, 2017 – 149,277,729) are issued and outstanding. 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 the changes to share capital which have occurred during the three-month period ended June 30, 2017:

	Number of common shares	$
Balance, beginning of period	**149,277,729**	**20,368,019**
Exercice of stock warrants	3,450,000	207,000
Conversion of debentures	14,899,998	950,000
Exercice of stock options	1,433,333	137,167
Balance, end of period	**169,061,060**	**21,662,186**

Share capital has not varied during the three-month period ended June 30, 2016.

Stock option plan
The Corporation maintains a stock option plan for its directors, key employees and consultants for which vested options over three years can be exercised in order to acquire common shares. Stock option grants vest at 33.33% 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 rules of the TSX Venture Exchange. The stock options are usually granted at 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. The maximum number of stock options which the Corporation is authorized to issue is 20,000,000. As at June 30, 2017, the outstanding number of stock options available for issuance was 8,090,405 (June 30, 2016 – 13,255,405).

The following table presents the changes which have occurred for the comparative three-month periods ended June 30, 2017, with respect to stock options.

	Three-month period ended June 30, 2017		**Three-month period ended June 30, 2016**	
	Number of stock options	Weighted-average exercise price ($)	Number of stock options	Weighted-average exercise price ($)
Outstanding, beginning of period	**10,771,349**	**0.09**	**7,814,684**	**0.12**
Exercised	(1,433,332)	0.10	-	-
Forfeited	(498,333)	0.24	-	-
Expired	(50,000)	0.10	(2,566,667)	0.095
Outstanding, end of period	**8,789,684**	**0.14**	**5,248,017**	**0.14**

The stock-based compensation expense of $19,590 for the three-month period ended June 30, 2017 (three-month period ended June 30, 2016 - $26,502) arising from stock options granted has been amortized according to the graded vesting method and is reported under “Selling and administrative” expenses in the consolidated statements of loss and comprehensive loss.

16. Reserve

	Three-month period ended June 30, 2017			
	Stock warrants	Conversion options	Stock options	Total
	$			
Balance, beginning of period	**3,891,631**	**632,214**	**2,341,886**	**6,865,731**
Private placement	72,333	452,017	-	524,350
Issue expenses	(5,074)	(31,712)	-	(36,786)
Stock-based compensation	-	-	19,590	19,590
Balance, end of period	**3,958,890**	**1,052,519**	**2,361,476**	**7,372,885**

	Three-month period ended June 30, 2016			
	Stock warrants	Conversion options	Stock options	Total
	$			
Balance, beginning of period	**3,743,741**	**24,322**	**2,252,414**	**6,020,477**
Private placement	84,759	-	-	84,759
Issue expenses	(2,336)	-	-	(2,336)
Loans	55,988	-	-	55,988
Stock-based compensation	-	-	26,502	26,502
Balance, end of period	**3,882,152**	**24,322**	**2,278,916**	**6,185,390**

Stock warrants

During the quarter ended June 30, 2017, in connection with the financing described in note 13 above for the same period, the Corporation issued 5,220,000 stock warrants entitling the holders to purchase 5,220,000 common shares (each a "Share") of the Corporation at a price of $0.22 per Share for a period of eighteen months. The fair value of the warrants has been established at $72,333 as decribed in note 13.

During the quarter ended September 30, 2016, in connection with the financing described in note 13 above, the Corporation issued 950,000 stock warrants entitling the holders to purchase 950,000 shares of the Corporation at a price of $0.06 per share for a period of twelve months. The fair value of the warrants has been established at $0.01 per warrant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life:	1 year	Risk-free interest rate:	0.86%
Liquidity discount:	25%	Volatility:	116.94%

During the quarter ended June 30, 2016, in connection with the financing described in note 13 above, the Corporation issued 4,650,000 stock warrants entitling the holders to purchase 4,650,000 shares of the Corporation at a price of $0.06 per share for a period of twelve months. The fair value of the warrants has been established at $0.018 per warrant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life:	1 year	Risk-free interest rate:	0.86%
Liquidity discount:	25%	Volatility:	105.6%

During the quarter ended June 30, 2016, in connection with the financing described in note 11 above, the Corporation issued 2,750,000 bonus stock warrants entitling the holders to purchase 2,750,000 shares of the Corporation at a price of $0.06 and $0.05 per share for a period of twelve months. The fair value of the warrants has been established at $0.02 per warrant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life:	1 year	Risk-free interest rate:	0.86%
Liquidity discount:	25%	Volatility:	111.36%

During the fourth quarter of the year ended March 31, 2016, in connection with the financing described in note 11 above, the Corporation issued 5,332,500 bonus stock warrants entitling the holders to purchase 5,332,500 shares of the Corporation at a price of $0.05 per share for a period of twelve months. The fair value of the Warrants has been established at $0.011 per warrant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life:	1 year	Risk-free interest rate:	0.86%
Liquidity discount:	25%	Volatility:	92.15%

During the second quarter of the year ended March 31, 2016, in connection with a financing, the Corporation issued 415,333 broker warrants (each a "Warrant") as part of a commission arrangement with the brokers involved with the issuance of the Debentures. Each Warrant is exercisable for one common share of DIAGNOS (each a "Common Share") at a price of $0.15 per Common Share over a two-year period ending July 29, 2017. The Warrants are non-transferable. The fair value of the Warrants has been established at $0.03 per Unit using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life:	2 years	Risk-free interest rate:	0.80%
Liquidity discount:	25%	Volatility:	107.18%

The following table presents the changes to stock warrants which have occurred for the comparative three-month periods ended June 30, 2017:

	Three-month period ended June 30, 2017		Three-month period ended June 30, 2016	
	Number of stock warrants	Weighted average exercise price ($)	Number of stock warrants	Weighted average exercise price ($)
Balance, beginning of period	**3,907,388**	**0.07**	**7,247,833**	**0.066**
Private placement	5,220,000	0.22	4,650,000	0.06
Loans	-	-	2,750,000	0.055
Exercised	(3,450,000)	0.06	-	-
Expired	(42,055)	0.06	(800,000)	0.095
Balance, end of period	**5,635,333**	**0.06**	**13,847,833**	**0.06**

17. Commitments

The Corporation rents offices in Canada under a lease that expires on September 2019. Minimum lease payments recognized as an expense during the period totalled $27,085 (June 30, 2016 - same).

The Corporation rents offices in Mexico under a lease that expires on June 2018. Minimum lease payments recognized as an expense during the period total $7,322 (June 30, 2016 - $2,625).

It also rents offices in United Arab Emirates under a lease that expires in September 2017. Minimum lease payments recognized as an expense during the period total $2,231 (June 30, 2016 - $6,353).

During the year ended March 31, 2017, the Corporation entered into two finance lease agreements for the purchase of computer equipment. The minimum monthly payments for each contract amount to $1,475 for a term of 36 months ending in November and December 2019 (refer to note 14).

18. Financial instruments and risk management

a) Fair value hierarchy

Financial instruments recorded at fair value in the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following tables present the financial instruments recorded at fair value in the interim unaudited condensed consolidated statements of financial position classified using the fair value hierarchy described above:

				As at June 30, 2017
	Level 1	**Level 2**	**Level 3**	**Total financial assets at fair value**
			$	
Financial assets				
Short-term investments	784,827	-	-	784,827
Investments – shares	765,923	-	-	765,923
Total financial assets	1,550,750	-	-	1,550,750

	Level 1	**Level 2**	**Level 3**	**Total financial liabilities at fair value**
			$	
Financial liabilities				
Convertible Debentures	-	-	3,602,774	3,602,774
Leases	-	-	39,020	39,020
Total financial liabilities	-	-	3,641,794	3,641,794

During the period, there has been no transfer of amounts between Level 1 and Level 2.

	Level 1	Level 2	Level 3	As at March 31, 2017 Total financial assets at fair value
			$	
Financial assets				
Short-term investments	84,827	-	-	84,827
Total financial assets	84,827	-	-	84,827

	Level 1	Level 2	Level 3	Total financial liabilities at fair value
			$	
Financial liabilities				
Loans	-	-	683,000	683,000
Convertible Debentures	-	-	2,555,663	2,555,663
Leases	-	-	42,271	42,271
Total financial liabilities	-	-	3,280,934	3,280,934

b) Risks

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. None of these short-term investments consist of asset-backed commercial paper. Consequently, management considers the credit risk related to cash and short-term investments to be low as at June 30, 2017 and March 31, 2017.

Customers

In the normal course of business, the Corporation grants credit terms to its customers. The Corporation reviews and, if required, establishes allowances for doubtful accounts on a regular basis. For other accounts receivable, the Corporation determines, on a continuing basis, the probable losses and establishes a provision to account for such losses based on the estimated realizable value.

As at June 30, 2017, 56% of accounts receivable from customers was attributable to four customers active in the healthcare industry (86% as at March 31, 2017, from three customers). 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 customers make up this concentration. Despite the concentration of its customers, the credit risk is mitigated through monitoring of its customers and the additional measures available to the Corporation, as previously described.

Additionally, as at June 30, 2017:

- 21% of the net accounts receivable are over 90 days old (8% as at March 31, 2017);
- accounts receivable from customers exceeding the normal payment terms of 30 days for which no allowance was applied represented 96% of the net accounts receivable from customers (62% as at March 31, 2017).

Management is reasonnably assured that its receivables will be collected, and therefore considers the credit risk related to accounts receivable to be low as at June 30, 2017 and March 31, 2017.

ii. Liquidity Risks

Liquidity risk is the risk that the Corporation cannot meet its obligations as they come due. On an ongoing basis, the Company 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.

As at June 30, 2017, accounts payable, loans, convertible notes, convertible debentures and leases that were due in the next 12 months totalled $785,150 (March 31, 2017 - $2,644,258). Considering the available liquidities to meet its obligations, the Corporation's exposure to liquidity risk as at June 30, 2017 and March 31, 2017 is high and is dependant 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.

As at June 30, 2017 and March 31, 2017, the Corporation's exposure to interest rate risk is summarized as follows:

Short-term investments	Fixed interest rate
Accounts receivable	Non-interest bearing
Investments	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Loans	Fixed interest rate
Convertible debentures	Fixed interest rate
Leases	Fixed interest rate

iv. Market Risk

Market 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, considering the value of investments in shares of $765,923 (March 31, 2017 – nil), a change of 50% in the market value of these shares would have a significant impact on the Corporation's expenses. Consequently, management considers the market risk related to investments in shares to be high as at June 30, 2017 (March 31, 2017 – non-existing).

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 period, revenues and expenses arose from transactions occuring in Canadian dollars and other currencies.

The Company is exposed to fluctuations in the currency rates of five currencies (USD, MXN, INR, PLN, AED). 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 Company's profit or loss. While some hedging strategies limit exposure, there is no absolute protection against exchange rate fluctuations.

As of June 30, 2017, amounts receivable from customers in MXN represent 69% of total amounts receivable from customers. A negative or positive variation of 50% of the MXN currency value on these amounts receivable from customers as at June 30, 2017 would have an absolute impact of $87,052 ($254,096 as at March 31, 2017) on the Corporation's comprehensive loss.

Consequently, management considers the exchange rate fluctuation risk to be high as at June 30, 2017 and March 31, 2017.

19. Expenses by nature

	Three-month period ended June 30,	
	2017	2016
	$	
Depreciation and amortization	48,836	16,322
Audit	22,500	28,890
Communications	13,344	13,849
Consulting fees	168,083	134,951
Equipment	1,809	2,634
Leasing	38,223	38,536
Legal fees	20,630	43,201
Loss from associates	74,077	-
Loss on disposal of investments	-	32,843
Gain on receivables payable in shares	-	(34,000)
Marketing	31,413	57,092
Overhead	113,212	25,586
Remuneration	662,058	404,985
Tax credits	(20,000)	(25,000)
Travel and living	43,103	77,595
	1,217,288	817,484

20. Income taxes

As at June 30, 2017 and June 30, 2016, income taxes recoverable are composed essentially of non-capital losses and investment tax credits. Based on available information, it is not probable that income taxes recoverable on these amounts will be realized in the near future, therefore, no deferred tax asset was recorded in these interim unaudited condensed consolidated financial statements.

Operating losses carried forward:

As at March 31, 2017, the Corporation had operating tax losses available in Canada and Mexico for which no deferred assets were accounted for. The following table summarizes the expiry of the losses per fiscal jurisdiction:

	Canada	Mexico	Total
		$	
2026	9,342	40,910	50,252
2027	177,589	254,651	432,240
2028	93,504	-	93,504
2029	1,585,748	-	1,585,748
2030	1,557,531	-	1,557,531
2031	854,384	-	854,384
2032	1,491,339	-	1,491,339
2033	1,314,805	-	1,314,805
2034	850,751	-	850,751
2035	1,958,526	-	1,958,526
2036	1,972,657	-	1,972,657
2037	2,754,539	-	2,754,539
	14,620,715	295,561	14,916,276

21. Segment information

The Corporation is active in the Healthcare sector. It provides Image analysis services through CARA (Computer Assisted Retinal Analysis), a software tool which assists health specialists in the detection of diabetic retinopathy.

Up to May 25, 2017, the Corporation was also active in the natural resources sector (see note 23).

Net results per sector:

	Three-month period ended June 30, 2017			Three-month period ended June 30, 2016		
	Healthcare	Natural resources	Total	Healthcare	Natural resources	Total
		$			$	
Revenue	19,398	320,000	339,398	105,407	160,133	265,540
Costs of services and research and development	(250,062)	(24,207)	(274,269)	(261,016)	(70,814)	(331,830)
Selling and administrative	(895,055)	(47,964)	(943,019)	(310,850)	(174,804)	(485,654)
(Loss) profit before other items	(1,125,719)	247,829	(877,890)	(466,459)	(85,485)	(551,944)
Interest expense	(222,440)	-	(222,440)	(115,351)	(21,140)	(136,491)
Gain on disposal of intangible assets	-	623,919	623,919	-	-	-
Net (loss) profit	(1,348,159)	871,748	(476,411)	(581,810)	(106,625)	(688,435)

42% of revenues earned from the healthcare sector for the three-month period ended June 30, 2017 were attributable to one global pharmaceutical corporation (June 30, 2016 - 38%).

Revenue by geographic area presented on the basis of the country of contract signature:

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016
	$	
Mexico	-	40,205
Canada	320,350	160,259
India	-	38,409
Nigeria	576	-
United Arab Emirates	13,954	24,000
Poland	993	1,020
United States of America	-	1,647
Slovakia	3,525	-
	339,398	265,540

Unchanges from the last reporting period, tangible assets are mainly located in Canada and Mexico.

22. 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 include directors and officers.

The following table presents the transactions with key management personnel during the comparative three-month periods ended June 30, 2017:

	Three-month period ended June 30,	
	2017	2016
	$	
Base salary	122,500	142,500
Stock-based compensation	15,554	3,028
Incentives	150,000	-
Sales commissions	45,790	5,689
Interest on demand loan	606	435
Payment of interest on demand loan	(606)	(435)
	333,844	151,217

The following table presents the balances outstanding with key management personnel as at:

	June 30, 2017	March 31, 2017
	$	
Demand loan receivable, annual interest rate of 4%	48,500	43,500
Convertible Debentures, annual interest rate of 10%	(500,000)	(500,000)

23. Discontinued operations

As part of the May 25, 2017 sale of the assets of the mining division, the Corporation's operations related to the mining division were identified as discontinued operations.

The Corporation received 8,000,000 common shares of Majescor Resources Inc. (now Abert Mining Inc.) valued at $0,08 per share for an aggregate purchase price of $640,000 in payment for all of the assets of the mining division.

The purchase price of $640,000 was allocated as follows:

	$
CARDS system	600,000
Mining claims	20,800
Royalty agreements	19,200
	640,000

Gain on disposal of intangible assets of $623,919 is detailed as follows:

	$
Gain on disposal of intangible assets	4,719
Gain on disposal of goodwill	619,200
	623,919

Gain on disposal of intangible assets of $4,719 is detailed as follows:

	$
Mining claims purchase price	20,800
Cost of mining claims	(39,696)
Accumulated depreciation of mining claims	23,615
	4,719

Gain on disposal of goodwill of $619,200 is detailed as follows:

	$
Purchase price	640,000
Mining claims purchase price	(20,800)
	619,200

24. Restatement of previously issued financial statements

After the initial release of the March 31, 2017 consolidated financial statements on June 20, 2017, the Corporation determined that the conversion options embedded in the secured convertible debentures and the stock warrants issued during the fiscal years ended March 31, 2016 and March 31, 2017 should have been classified as equity upon recognition. The impacts of such adjustments for the year ended March 31, 2017 were reflected in the amended consolidated financial statements dated August 29, 2017. The Corporation previously reported a comprehensive loss of $5,306,378 and a basic diluted comprehensive loss per share of $0.04 for the year ended March 31, 2017. The restatement resulted in a comprehensive loss of $2,815,282 and a basic diluted comprehensive loss per share of $0.02. The variance in comprehensive loss of $2,491,096 is detailed as follows:

	Year ended March 31, 2017
	$
Reversal of change in fair values of conversion options	(2,195,109)
Reversal of change in fair values of warrants	(84,133)
Adjustment to interest expense	(211,854)
	(2,491,096)

The prior period adjustments had no impact on the consolidated statements of loss and comprehensive loss for the year ended March 31, 2016.

The prior period adjustments had the following impacts on the consolidated statements of financial position for the years ended March 31, 2017 and March 31, 2016.

As at March 31, 2017				
	Loans	Convertible Debentures	Reserve	Deficit
	$			
As previously reported	**767,443**	**5,132,123**	**6,695,924**	**(32,704,943)**
Reclassification of 2016 conversion options to equity	-	-	546,450	(546,450)
Reversal of warrants derivatives	(84,443)	(151,460)	150,226	85,677
Reversal of conversion options derivatives	-	(2,425,000)	87,234	2,337,766
Reversal of fair value of conversion options upon conversion	-	-	(615,647)	615,647
Other	-	-	1,544	(1,544)
Restated balance	**683,000**	**2,555,663**	**6,865,731**	**(30,213,847)**

As at March 31, 2016		
	Convertible Debentures	Reserve
	$	
As previously reported	**2,436,297**	**6,020,477**
Reclassification of conversion options to equity	(546,450)	546,450
Restated balance	**1,889,847**	**6,566,927**

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Stock Exchange Listing
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