DIAGNOS

Your Knowledge Partner

DIAGNOS Inc.

Management Discussion and Analysis
Three-month Period ended June 30, 2017

Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A"), dated August 28, 2017, analyses the consolidated financial position of DIAGNOS Inc. and its subsidiaries ("DIAGNOS", "the Corporation" or "We") as at June 30, 2017 and for the three-month period ended June 30, 2017 and should be read in conjunction with the June 30, 2017 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 August 28, 2017 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 assumptions

The June 30, 2017 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. The Corporation has not realized annual profit since its inception.

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
- 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.

These interim unaudited condensed consolidated financial statements as at June 30, 2017 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 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:

- Backlog: The backlog is composed of sales bookings for services not yet rendered.
- Bookings: Bookings represent signed agreements for which a value can be estimated.
- Research and development refundable tax credit provisions in proportion to research and development expenses.
- Cash ratio: Cash ratio is obtained by subtracting accounts payable and accrued liabilities from current cash and non-restricted short-term investments.

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 initial recognition. The impacts of such adjustments for the year ended March 31, 2017 were reflected in the restated consolidated financial statements dated August 28, 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.

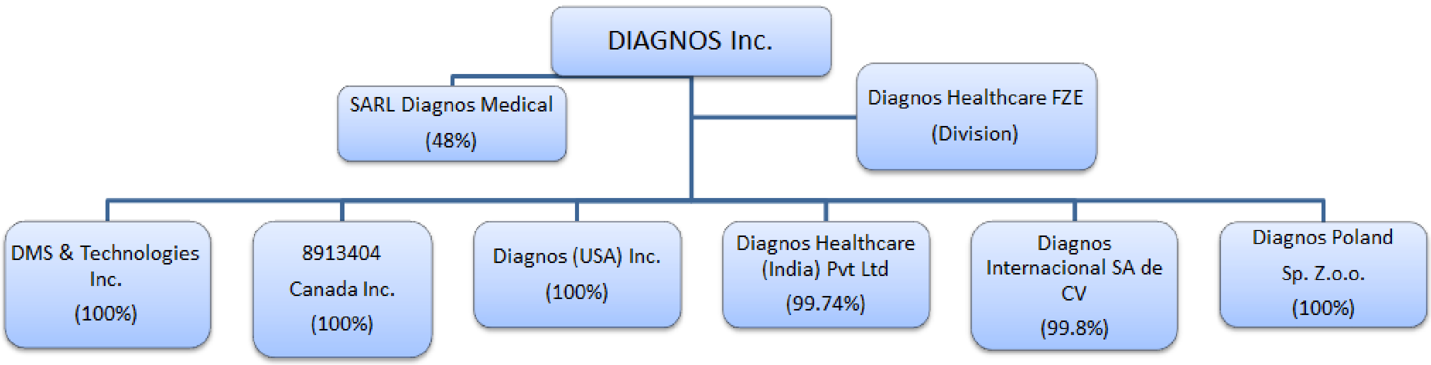
	As at March 31, 2017			
	Loans	Convertible Debentures	Reserve	Deficit
	$			
As previously reported	**767,443**	**5,132,123**	**6,695,924**	**(32,704,943)**
Reclassification of 2016 conversion options to equity	-	-	546,450	(546,450)
Reversal of warrants derivatives	(84,443)	(151,460)	150,226	85,677
Reversal 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**

Description of the Corporation and activities

DIAGNOS is a Canadian corporation that offers data interpretation services based on its suite of proprietary software products used to extract knowledge from historical data.

DIAGNOS group of entities is organized as follows:



DIAGNOS operates in the following sectors:

Healthcare: Image analysis services through CARA (Computer Assisted Retinal Analysis), a 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.

Natural resources: Data mining consulting services through CARDS (Computer Aided Resource Detection System), a software tool used to assist exploration companies in identifying mining deposits. In combination with modern exploration techniques, CARDS is a useful tool intended to save both money and time by targeting priority (or prioritizing) areas for exploration. In addition to data mining and target generation, DIAGNOS offers project management services. CARDS has been developed by, and is proprietary to, DIAGNOS.

As of May, 25, 2017, the Corporation operates only one segment, Healthcare, following the sale of the assets of its mining division.

Healthcare (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.

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, our Healthcare business unit remains focused on continuing its business development efforts internationally, including development of relationships with prospective clients and governments, in addition to attending various medical conferences and industry events that drive awareness of our business platform and program offerings.

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 Europe and the Middle-East. 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.

Natural resources (CARDS)

DIAGNOS uses its proprietary software application CARDS (Computer Aided Resources Detection System) to help mineral exploration professionals identify areas of similarity to known areas of mineralization with a high statistical probability. In combination with modern exploration techniques, CARDS is a tool intended to save both money and time by generating priority targets for exploration. These target areas are presented in either two dimensional or three dimensional images to help target and prioritize exploration efforts. In addition to target generation, DIAGNOS offers project management services including geological consulting services. Under specific agreements, DIAGNOS is entitled to receive royalty payments arising from economic resource discoveries realized as a result of using CARDS. These royalties are payable in either shares, cash and/or in net smelter returns on revenues derived from mining operations within the limits of the properties as defined in the agreements. So far, no revenues were earned from royalties.

On March 15, 2017, the Corporation announced the sale of the assets from its mining division to Majescor Resources Inc. ("Majescor"). Under the terms of the agreement, Majescor issued 8,000,000 common shares of its share capital to DIAGNOS, at a deemed price of $0.10 per share, in payment for the acquired assets. Additionally, Majescor will remit to DIAGNOS (i) 50% of any payment that Majescor receives from the royalty agreements forming part of the acquired assets, and (ii) 5% of revenues generated by the commercialization of the CARDS System. As of May, 25, 2017, the Corporation operates only one segment, healthcare, following the sale of the assets of its mining division.

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.

	2018	2017				2016		
	Q1	***Q4***	***Q3***	***Q2***	***Q1***	***Q4***	***Q3***	***Q2***
	June 30, 2017	**March 31, 2017 (restated)**	**Dec. 31, 2016**	**Sept. 30, 2016**	**June 30, 2016**	**March 31, 2016**	**Dec. 31, 2015**	**Sept. 30, 2015**
	$							
Revenue	339,398	357,979	1,403,271	363,261	265,540	240,892	364,083	225,889
Net profit (loss)	(476,411)	(1,361,591)	62,179	(941,698)	(688,435)	(787,888)	(716,629)	(988,230)
Comprehensive income (loss)	(410,714)	(1,299,844)	15,274	(957,614)	(573,098)	(746,082)	(729,129)	(971,395)
Comprehensive income (loss) per share	0.00	0.00	0.00	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

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 periods ended June 30, 2017 contained in this section is derived from the Corporation's financial statements.

	Three-month period ended June 30,	
	2017	**2016**
	$	
Revenue	339,398	265,540
Operating expenses	1,217,288	817,484
Interest expense	222,440	136,491
Gain on disposal of intangible assets	(623,919)	-
	815,809	953,975
Net loss	**(476,411)**	**(688,435)**
Decrease in net loss	212,024	

The decrease in net loss is attributable to:

	$
Increase in revenue	73,858
Decrease in costs of services and research and development	57,561
Increase in selling and administrative expenses	(457,365)
Increase in interest expense	(85,949)
Gain on disposal of intangible assets	623,919
	212,024

- The increase in revenue is attributable to the increase in revenue from CARDS.
- The decrease in costs of services and research and development is mainly due to the decrease in delivery of services costs attributable to the global decrease in revenues derived from CARA.
- The increase in selling and administrative expenses is mainly attributable to increases in (i) sales commissions related to the global increase in revenue for the last two quarters of the fiscal year ended March 31, 2017, for which receivables as at March 31, 2017 were collected in the current quarter ended June 30, 2017, (ii) consulting fees related to the new corporate image, (iii) incentives paid to officers of the Corporation and (iv) the net loss of $74,077 from an associate.
- The increase in interest expense is mainly attributable to the issuance of secured convertible debentures in the last two years.
- The gain on disposal of intangible assets arose from the selling of the mining division during the current quarter ended June 30, 2017.

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.

Bookings, Revenues and Backlogs

The Corporation's backlog provides an indicator when forecasting its short term revenues. The backlog is mainly composed of sales bookings for products and services not yet delivered or rendered as of period end.

The following table presents the comparative evolution of the backlog for the comparative three-month periods ended June 30, 2017 and is followed by an analysis of the material variances.

	Three-month period ended June 30, 2017		
	CARA	CARDS	Total
	$		
Opening backlog	24,600	-	24,600
Bookings	7,098	320,000	327,098
Revenues	(19,398)	(320,000)	(339,398)
Ending backlog	12,300	-	12,300

	Three-month period ended June 30, 2016		
	CARA	CARDS	Total
	$		
Opening backlog	310,586	78,250	388,836
Bookings	96,701	81,883	178,584
Revenues	(105,407)	(160,133)	(265,540)
Ending backlog	301,880	-	301,880

	Variations for the three-month period ended June 30, 2017		
	CARA	CARDS	Total
	$		
Bookings	(89,603)	238,117	148,514
Revenues	(86,009)	159,867	73,858

Analysis of the material variances for the comparative three-month periods ended June 30, 2017:

- The decreases in bookings and revenues from CARA are mainly attributable to a general decrease in services rendered to pharmaceutical clients.
- The increases in bookings and revenues from CARDS are mainly attributable to two agreements with two exploration companies in Canada.

Net profit (loss) 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%).

Geographical segments

The following table presents the comparative revenues by country for the three-month period ended June 30, 2017:

	Three-month period ended June 30,		
	2017	2016	Variance
	$		
Mexico	-	40,205	(40,205)
Canada	320,350	160,259	160,091
India	-	38,409	(38,409)
Nigeria	576	-	576
United Arab Emirates	13,954	24,000	(10,046)
Poland	993	1,020	(27)
United States of America	-	1,647	(1,647)
Slovakia	3,525	-	3,525
	339,398	265,540	73,858

Mexico
The revenues were derived from the healthcare sector (CARA) and are attributable to one Mexican pharmaceutical company.

Canada
Essentially all of the revenues were derived from the natural resources sector (CARDS).

India, Nigeria, United Arab Emirates, Poland
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.

United States of America, Slovakia
The revenues were derived from the healthcare sector (CARA) and are attributable to two clients with activities in the primary care sector.

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 contain ns information taken from the Corporation's consolidated financial statements and details the cash flows derived from operating activities:

	Three-month period ended June 30,		
	2017	**2016**	**Variance**
		$	
Net loss	(476,411)	(688,435)	212,024
Items not affecting cash	(422,462)	106,755	(529,217)
Payment of interest	177,346	46,722	130,624
Net change in non-cash operating working capital items	(303,300)	107,496	(410,796)
Cash flows from operating activities	**(1,024,827)**	**(427,462)**	**(597,365)**

Despite a decrease in net loss of $212,024, the negative variance in cash flows from operating activities of $597,365 is mainly attributable to the non-cash gain on disposal of the mining division of $623,919 booked during the current quarter ended June 30, 2017.

Based on the current level of liquidities and sales activities, the capacity to generate positive cash flows from operating activities remains uncertain. In order to address this uncertainty, the Corporation is evaluating the implementation of some or all of the measures described in the following section – Capacity to deliver results.

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:

- Reduce operating costs with temporary staff lay-offs, curtail certain consulting and travel costs
- Continue to seek debt financing from private investors
- Continue to seek equity financing through private placement of common shares and stock purchase warrants
- Continue to evaluate possible M&A opportunities

The Corporation believes that the above measures will help improving its capacity to deliver results. There is, however, significant risk and uncertainty associated with the measures described above.

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 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 three-month periods ended June 30, 2017, refundable tax credit provisions in proportion to the overall R&D expenses represent:

	Three-month period ended June 30,	
	2017	**2016**
R&D expenses ($)	190,459	254,427
R&D tax credit provisions ($)	20,000	25,000
R&D tax credit in proportion to R&D expenses	11%	10%

Based on current activities and current legislation, the R&D tax credit percentage in proportion to R&D expenses is expected to be approximately 12% for the foreseeable future.

Expenses analysis

The comparative financial information on expenses, for the comparative three-month periods ended June 30, 2017, contained in this table, is derived from the Corporation's financial statements and is followed by an analysis of the material variances.

	Three-month period ended June 30,	
	2017	**2016**
	$	
Costs of services and research and development	274,269	331,830
Selling and administrative	943,019	485,654
	1,217,288	817,484

	Variations for the three-month period ended June 30, 2017	
	$	%
Costs of services and research and development	57,561	17%
Selling and administrative	(457,365)	(94%)
	(399,804)	(49%)

Costs of services and research and development

The decrease of $57,561, or 17%, is mainly due to the decrease in delivery of services costs attributable to the global decrease in revenues derived from CARA.

Selling and administrative

The increase of $457,365, or 94%, is mainly attributable to increases in (i) sales commissions related to the global increase in revenue for the last two quarters of the fiscal year ended March 31, 2017 for which receivables as at March 31, 2017 were collected in the current quarter ended June 30, 2017, (ii) consulting fees related to the new corporate image, (iii) incentives paid to two officers of the Corporation and (iv) the net loss of $74,077 from an associate.

Financial position analysis

The comparative financial information contained in this section is derived from the Corporation’s financial statements.

	As at	
	June 30, 2017	March 31, 2017
	$	
Cash and non-restricted short-term investments	1,137,022	189,861
Other current assets	638,989	902,649
Non-current assets	933,822	216,735
Total assets	**2,709,833**	**1,309,245**
Accounts payable and accrued liabilities	591,704	934,383
Other current liabilities	193,446	1,718,075
Non-current liabilities	3,448,348	1,571,059
Shareholders' deficiency	(1,523,665)	(2,914,272)
Total liabilities and shareholders’ deficiency	**2,709,833**	**1,309,245**
Cash ratio	**545,318**	**(744,522)**
Increase in cash ratio	1,289,840	

The increase of $1,289,840 in cash ratio is attributable to:

	$
Net proceeds from a private placement of convertible debentures	2,276,894
Exercise of stock warrants and stock options	344,167
Cash flows from operating activities	(1,024,827)
Repayment of short term loans	(533,000)
Others	226,606
	1,289,840

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	• Reduce operating costs with temporary staff lay-offs, curtail certain consulting and travel costs • Continue to seek debt financing from private investors • Continue to seek equity financing of common shares and stock purchase warrants • Continue to evaluate possible M&A opportunities

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

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 $108,324 for the duration of the lease.

Under the terms of an operating lease agreement in Mexico, which will expire in June 2017, the Corporation is committed to making minimum annual lease payments of $5,950 for the duration of the lease.

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.

Share information

As at June 30, 2017, the number of common shares and convertible securities outstanding is:

Common shares	169,061,060
Stock warrants	5,635,333
Conversion options	32,500,000
Stock options	8,789,684
	215,986,077

Transactions between related parties

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.

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

	Three-month period ended June 30,		
	2017	2016	Δ
	$		
Base Salary	122,500	142,500	(14%)
Stock based compensation	15,554	3,028	414%
Incentives	150,000	-	n/a
Sales commissions	45,790	5,689	705%
Interest on demand loan	606	465	30%
Payment of interest on demand loan	(606)	(465)	30%
	333,844	151,217	121%

The increase in stock based compensation is attributable to an increase in the number of stock options granted during the fiscal year ended March 31, 2017.

The increase in sales commissions is related to the global increase in revenue for the last two quarters of the fiscal year ended March 31, 2017, for which receivables as at March 31, 2017 were collected in the current quarter ended June 30, 2017. Sales commissions become payable upon reception of payment from the customer.

Incentives were paid to certain offcers in the form of cash bonuses.

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)

Critical accounting judgements 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 period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Going concern assumption

The Corporation's ability to continue as a going concern is dependent on completing an additional financing, achieving and maintaining profitable operations and other factors, all of which are outside of management's control. Management has to assess the outcome of these matters when preparing the Corporation's consolidated financial statements. The Corporation's current level of revenues is not sufficient to cover its expenses and ongoing commitments, resulting in the 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. The Corporation believes that it will be able to continue as a going concern and therefore the financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate.

Tax credits on research and development expenses

The Corporation receivables include refundable tax credits on R&D expenses. Management has to make certain careful judgments related to the eligibility of R&D expenses with regards to the provisions of the current tax credit programs.

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.

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.

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, 2017 MD&A available on the SEDAR website at www.sedar.com.

Head Office
DIAGNOS Inc.
7005 Taschereau Blvd.
Suite 340
Brossard, Quebec J4Z 1A7
450 678-8882 or 877 678-8882

Stock Exchange Listing
DIAGNOS Inc. shares are listed on the TSX Venture Exchange under the symbol ADK.

Transfer Agents and Registrar
Computershare Trust Company of Canada

Auditor
Mazars Harel Drouin, LLP