

Due Diligence and Valuation Report

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 Fair share value bracket: CAD\$ 0.19 – CAD\$ 0.39
 Share price (05-Apr-18): CAD\$ 0.07

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DIAGNOS

Company: DIAGNOS Inc.
 Ticker: TSX: ADK
 Headquarters: Brossard, Canada
 CEO: Mr. André Larente
 VP Finance: Mr. Marc-André Massue
 Website: <https://www.diagnos.ca>

Market Data

52-Week Range:	CAD\$ 0.20– CAD\$ 0.07 ⁱ
Average Daily Volume (3M Avg.):	1,499,818 ⁱⁱ
Market Cap (05 April 2018):	CAD\$ 12.1 MM ⁱⁱⁱ

Financial Forecast (in CAD\$) (FY ending - March)

CAD\$ 000	'18E	'19E	'20E	'21E	'22E	'23E	'24E
High EBIT	2,322	3,713	5,851	9,157	13,605	19,528	26,969
High NI	(1,765)	(175)	621	1,716	3,409	5,986	9,962
High EPS	(2,322)	(796)	0.07	801	2,040	3,927	6,837
Low EBIT	1,968	3,207	5,012	7,688	10,931	14,814	19,361
Low NI	(1,901)	(504)	(80)	371	1,693	3,303	5,653
Low EPS	(2,458)	(1,125)	(701)	(251)	784	1,963	3,683

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

9M 2018 results: DIAGNOS generated 76% of its revenues from Mexico, 21% from Canada, and 3% from rest of the world in 9M 2018. The Company witnessed robust growth in Mexico due to the renewal of the government contract. Diagnos top-line declined by 23.9% YoY to CAD\$ 1.5 million in 9M 2018 compared to CAD\$ 2.0 million in 9M 2017. The decline in revenue is attributable to the decrease in the number of signed agreements from the healthcare sector and the sale of the mining division.

Arrowhead is updating coverage on DIAGNOS Inc. with a fair value bracket of CAD\$ 0.19 (Low-Bracket estimate) and CAD\$ 0.39 (High-Bracket estimate).

Key Highlights: (1) The company has entered into a contract with Mexican government to screen 320,000 patients; (2) Diagnos will sign a new contract with Kanhoor Medical of screening 35,000 patients in Saudi Arabia; (3) After a successful pilot program with Chapparral Medical Group (USA), DIAGNOS entered into a three year agreement with the group; (4) DIAGNOS announced 2018 nine months results with a decline of 23.9% in its top-line on YoY basis; (5) The Company's cost of services has declined by 18.3% in 9M 2018; (6) DIAGNOS reported a 144% jump in its revenue to CAD\$ 2.4 million in FY'17, from CAD\$ 1.0 million in FY'16 (7) DIAGNOS signed a contract with Novo Nordisk to monitor the diabetic patient using its CARDIO software tool; (8) In 2017, DIAGNOS sold its mining division to Majescor Resources; (9) DIAGNOS has signed new projects in Algeria, Cambodia and North Africa for CARA; (10) DIAGNOS has partnered with big pharma companies such as Novartis and Bayer to launch its software tool CARA across different geographies; (11) DIAGNOS operates across 15 regions with a different degree of deployment; (12) In 2018, Dundee corporation scale down its stake in DIAGNOS Inc. with a total holding of 9.55%; (13) DIAGNOS patient count is now totaling 216,000 patients worldwide. In FY2017 the patient count was 82,000 patients and in FY2018 we estimate a total of 160,000 patients. The estimate for FY2019 is approximately 320,000 patients.

Key Risks: Key risks include product substitution and high concertation.

Valuation and Assumptions^{iv}: Based on due diligence and valuation estimates, Arrowhead believes that DIAGNOS fair-share value lies in the CAD\$ 0.19 – CAD\$ 0.39 bracket using Discounted Cash Flow (DCF), which is our primary valuation methodology.

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1. Summary and Outlook

We initiate coverage on DIAGNOS Inc., headquartered in Brossard, Canada, a healthcare-based company, which offers image analysis services through CARA, a software tool, which assists health specialists in the detection of diabetic retinopathy. It has developed its own proprietary Artificial Intelligence technology platform known as 'FLAIRE'.

Key Highlights^v:

- (1) DIAGNOS entered into a new contract worth CAD \$ 5.26 million with the Government of Mexico at ISSSTE to screen and monitor 320,000 diabetic patients in 2017. This contract was awarded after the completion of successful pilot program covering 79,407 patients. Out of all the 320,000 patients 79,407 patients were existing and will be re-screened in 2017
- (2) In last 10 months, DIAGNOS diligently worked with Kanhoor Medical company and has successfully completed screening of 2,500 patients as a part of pilot projects, after which Kanhoor has extended its agreement for next three years to screen every diabetic patient in the Kingdom
- (3) Diagnos registered a 23.9% YoY decline in revenue at CAD\$ 1.5 million in 9M 2017-18 from CAD\$ 2.0 million in 9M 2016-17. The overall decline in revenue is attributable to the decrease in the number of signed agreements from the healthcare sector and the sale of the mining division. EBIT for the company declined to CAD\$ - 1.81 million in 9M 2017-18 from CAD\$ -1.06 million in 9M 2016-17
- (4) The Company's costs of services and research and development declined by 18.3% in 9 months of 2018 due to decrease in delivery-of-services costs attributable to the global decrease in revenues derived from CARA
- (5) Dundee sold 1.17% stake in DIAGNOS Inc. Now, Dundee owns 16,461,764 shares, approximately 9.55% on diluted basis down from 10.72%. Dundee acquired shares of DIAGNOS for the purpose of investment only
- (6) DIAGNOS sold off its mining division in 2017 to Majescor resources. According to the agreement signed, Majescor issued 8 million common shares to DIAGNOS. Additionally, Majescor will remit to DIAGNOS 50% of any payment that Majescor receives from the royalty agreements forming part of the acquired assets, and secondly 5% of revenues generated by the commercialization of the CARDS system
- (7) DIAGNOS announced a successful pilot program with Chaparral Medical Group. The company has now been awarded a 3-year contract.
- (8) By the mid of 2018, the company is planning to launch its new software tool (CARDIO) into the market for the screening of cardiovascular risk. DIAGNOS plans to introduce it through a similar strategy that they had used for CARA, i.e., tie-ups with big pharma companies
- (9) DIAGNOS entered into a contract with Novo Nordisk to monitor diabetic patients. Both the organizations form an alliance to monitor diabetic patients.
- (10) DIAGNOS reported a 144% increase in its revenue to CAD\$ 2.4 million in FY'17, from CAD\$ 1.0 million in FY'16, mainly attributable to the healthcare agreement signed with the Mexican government organization, Institute for Social Security and Services for State Workers (ISSSTE). Its operating income has improved slightly from CAD\$ -2.7 million in FY'16 to CAD\$ -2.0 million in FY'17
- (11) DIAGNOS has signed various new projects or agreements across different geographies by partnering with Garuda Health Services in Cambodia, and cardiology department of C.N.M.S. hospital in Algeria to screen patients for diabetic retinopathy using its software tool CARA
- (12) DIAGNOS has tie-ups with big pharmaceutical companies. The strategy involves establishing relationships with companies that have international presence and contacts. DIAGNOS has partnered with Novartis and Bayer to successfully launch its product CARA
- (13) DIAGNOS operates across 15 regions with a different degree of deployment in hospitals and primary facilities
- (14) In 2016, DIAGNOS announced a major strategic alliance in Latin America for a contract worth US\$ 1.38 million to screen a large population of diabetics

Key Risks: Key risks include product substitution, wherein the clients decide to switch to related products but from a different organization and a high concentration risk, as the Company is driving more than 90% revenue from one major client only.

2. Business Overview^{vi}:

DIAGNOS is headquartered in Canada. The company was founded in 1998 with an aim to use Artificial Intelligence (AI) and advanced knowledge extraction technologies to design advanced data analytics software products, which help improve business processes and make decision making easier. Over the years, DIAGNOS has evolved and primarily operates in the artificial intelligence software market, for which it has developed a proprietary technology platform known as 'FLAIRE'. The company has leveraged the platform to develop applications using artificial intelligence, and has built four applications across varied sectors covering FinTech, Music, Natural Resources and Healthcare.

In March 2017, DIAGNOS sold off its mining business to focus more on the healthcare sector, where it has been active since its formation. In May 2017, DIAGNOS released its new mission statement focused on the use of artificial intelligence to help early detection of critical health issues. DIAGNOS has been providing healthcare technical services using artificial intelligence, including algorithm development, data analysis and image processing since 2001.

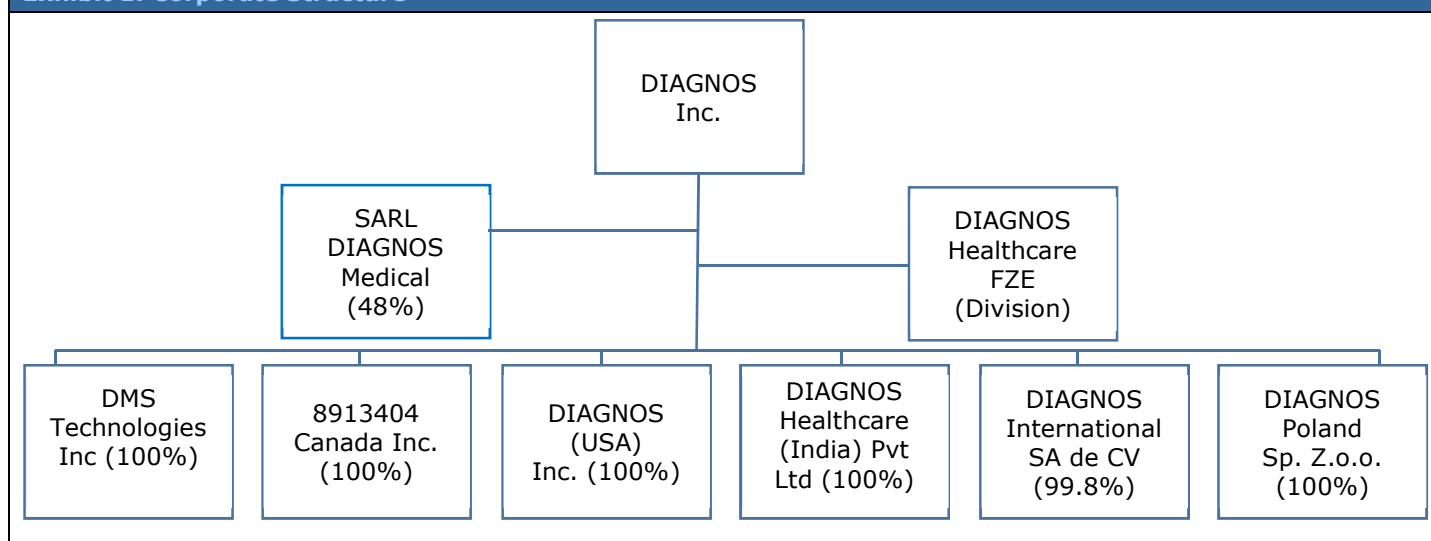
The company has been developing its Computer Assisted Retina Analysis (CARA) artificial intelligence technology since 2010 to assist healthcare specialists in the early detection of diabetic retinopathy. CARA is a proprietary tele-ophthalmology platform, which includes advance retinal imaging technology and clinical grading services. Developed in-house, the platform is a software program that uses enhanced digital images to support and identify, at an early stage, vision loss, and more specifically, diabetic retinopathy. The company has received regulatory approvals from authorities such as US FDA "5 10 k", Health Canada, and CE in Europe for CARA. It operates in 15 countries at different degrees of deployment, with installations in hospitals, clinics and mobile vans.

In addition to CARA, which is in the production phase and remains the key sales contributor, the company has actively been developing other healthcare-focused software tools as well, which are in different phases of development. CARDIO is another important software being tested by DIAGNOS in four countries, after CARA, and appears to have strong growth potential. A few other healthcare-focused software tools, which are presently in the development phase, include OCT, Sleep Apnea and Alzheimer's disease.

Dundee Corporation, the major shareholder in the company, had reduced its stake in DIAGNOS in February 2018 to 9.55%. Dundee owns 16,461,764 shares, approximately 9.55% on diluted basis down from 10.72%. Dundee acquired shares of DIAGNOS for the purpose of investment only.

Financial Overview: DIAGNOS recorded a 23.9% slump in its top-line to CAD\$ 1.5 million in 9M 2018, from CAD\$ 2.0 million in 9M 2017, primarily driven the decrease in the number of signed agreements from the healthcare sector and the sale of the mining division. EBIT declined from CAD\$ -1.06 million in 9M 2017 to \$ -1.81 million in 9M 2018. The decline in revenue has occurred mainly due to transition of the contracts from the pilot phase to commercial contracts in the first half of 2018 and the sale of the mining division during the quarter ended June 30, 2017.

Exhibit 1: Corporate Structure^{vii}



2.1 Company Milestones

Exhibit 2: DIAGNOS Milestones^{viii}

Year	Event
1998	<ul style="list-style-type: none"> Incorporated in the year 1998 under the laws of Canada, under the name DIAGNOS Inc..
2000	<ul style="list-style-type: none"> In October, DIAGNOS signed a collaboration agreement with Unilabs to improve its specialization in artificial intelligence, particularly about data analysis DIAGNOS announced the appointment of its new president and CEO, André Larente
2001	<ul style="list-style-type: none"> DIAGNOS announced the issuance of CAD\$ 1.2 million of convertible debentures In March, DIAGNOS signed an agreement with France Telecom R&D for evaluation of the DIAGNOS artificial intelligence engine (SIPINA)
2003	<ul style="list-style-type: none"> In July, the company entered into an exclusive distribution agreement for a total potential of US\$ 3.8 million, over the next three years, with Guardian Technologies International Inc. to cover the US market. DIAGNOS was to provide its multimedia mining technology "MCubix" and expertise to help Guardian Technologies succeed in the US market
2004	<ul style="list-style-type: none"> In November, the company launched its latest business intelligence software MCubiX-EP in the Expo TI Performance at Montreal
2005	<ul style="list-style-type: none"> In January, DIAGNOS signed an agreement for the use of its system Computer Aided Resource Detection Software (CARDS) on the properties of Ressources Dianor The company launched its first software tool within the healthcare CARA as part of its ongoing research and development program, under a corporate business diversification strategy In March, DIAGNOS signed a royalty agreement with MacDonald Mines. According to the agreement, MacDonald Mines Exploration was to use CARDS for the exploration of diamonds and base metals
2008	<ul style="list-style-type: none"> In October, DIAGNOS launched its new CARA application and signed the first Canadian reseller for Ontario DIAGNOS signed its largest strategic agreement for a major mining project
2009-10	<ul style="list-style-type: none"> In 2009, DIAGNOS received Class 2 - Medical Device License from Health Canada for its CARA application In June, DIAGNOS signed a distribution agreement with Mafatlal Group for CARA diabetes products in India
2011	<ul style="list-style-type: none"> DIAGNOS received FDA Clearance for CARA

	<ul style="list-style-type: none"> In March, DIAGNOS announced a partnership agreement with Alliance Global FZ for the sales of CARA in the Middle East and Northern Africa (MENA) region In November, DIAGNOS announced issuance of CE certificate in the European Union for CARA commercialization
2012	<ul style="list-style-type: none"> In July, the company announced the successful launch of a pilot program with Novartis Farmaceutica, S.A. de C.V. in Mexico In October, it signed a non-exclusive licensing agreement worth CAD\$ 700,000 with Intelligent Retina Imaging Systems (IRIS) for the use of CARA for a period of three years DIAGNOS launched 'BEAT IT IN A BLINK', a screening program for the prevention of diabetic retinopathy and vision loss in Canada
2013	<ul style="list-style-type: none"> DIAGNOS announced the sales bookings of CAD\$ 2.61 million for CARDS and CARA in its first quarter of FY2013 DIAGNOS signed an agreement with Novartis Pharma AG for the continuation and expansion of joint deployment and usage of CARA in the United Arab Emirates (UAE)
2014	<ul style="list-style-type: none"> In May, DIAGNOS announced the merger with Warnex, a wholly owned subsidiary of DIAGNOS. The company issued 28,323,884 common shares to the shareholders of WARNEX, along with 1,875,000 stock warrants DIAGNOS announced the opening of a clinical retinopathy screening office in Algeria
2015	<ul style="list-style-type: none"> In May, Digital Angiography Reading Center (DARC) opted for a clinical trial of CARA in conjunction with a Top Five pharmaceutical company in the United States DIAGNOS announced a strategic alliance with the largest private hospital group in Latin America, to unburden the public health system from diabetes
2016	<ul style="list-style-type: none"> DIAGNOS announced a major strategic alliance in Latin America for a contract worth US\$ 1.38 million In September, DIAGNOS issued 25,005,963 common shares at CAD\$0.04 each, for aggregate gross proceeds of CAD\$1,000,238.52 In December, DIAGNOS successfully passed the ISO 13485 - Medical devices and ISO 9001 annual surveillance audit for its CARA healthcare platform
2017	<ul style="list-style-type: none"> DIAGNOS announced a new partnership in Bangladesh with Eyes for All The company signed a new contract with the Government of Mexico at ISSSTE worth CAD \$5.26 million DIAGNOS announced a new project with Cardiology department of Centre National de Medicine du Sport C.N.M.S Hospital located in Algeria
2018	<ul style="list-style-type: none"> DIAGNOS and Novo Nordisk form an alliance to monitor diabetes patients DIAGNOS to bring block chain technology for security control of medical records in next release of CARA

2.2 Business Model

Healthcare remains the focused segment and the only revenue contributor for DIAGNOS following the divestiture of its Natural Resources segment in March 2017. CARA, its flagship artificial intelligence tele-ophthalmology screening platform, which assists in making retinal images easier to read and to interpret, is the company's key software offering. DIAGNOS has adopted a multi-pronged distribution strategy for CARA, including B2B (Screening projects), B2C (Consumer screening), and sale and licensing of the software. Presently, the company's focus market is constituted by screening of diabetic patients for retinopathy.

2.2.1 B2B Strategy – Screening Projects

Being a provider of turnkey retinopathy screening projects, DIAGNOS first determines the appropriate clinical protocols and clinical referral pathways for each project, by working with different clinicians. The projects typically involve the deployment of one or more cameras, technicians, CARA platform, and downstream EMR integration.

The company screening projects are classified into two categories: Managed and Standalone. Managed projects are those which require a full-time technician for each screening unit, who manages the screening unit logistics and acquires images at the point of capture, whereas standalone projects comprise one fractional technician for many screening units. In standalone projects, a camera is deployed and left behind at the screening site for some time, after the technician has trained site staff, to acquire images.

The B2B strategy comprises screened projects, being typically sold to health organizations, health authorities, and corporate health organizations including insurance. Examples of clients and prospects currently include: Chapparral

Group (US), Novartis UAE, Novartis Mexico, Novartis Canada, Genentech, Blue Cross Blue Shield Horizon NJ, and the Mexican Government.

2.2.2 B2C Strategy – Consumer Screening

The company's B2C strategy consists of screening services directly to the individuals. DIAGNOS has branded the program as "Beat It in a Blink" and "Defi en un Clin d'Oeil" where it targets scheduled community events in which individuals can register. It primarily collaborates with local diabetic associations who encourage their members to register. The screening is offered in the form of annual membership entitling the individual to membership benefits and an annual digital fundus exam.

The company is also exploring additional revenue streams such as sponsorship of screening by pharmacies, pharmaceuticals, or other business partners.

2.2.3 Software Sale and Licensing

Under this strategy, DIAGNOS offers the CARA artificial intelligence tele-ophthalmology platform and remote technical support only for those who do not want to outsource the screening programs outside. Present and prospective clients include Kanhoor Medical Co. (Saudi Arabia), and Eyes for All (Bangladesh).

Pricing varies on a case-by-case basis and it can be either flat (annual basis) or variable (per patient). Presently, the company expects to market its next generation CARA DR detection algorithms once it's ready for release to existing screening programs such as UK National Health Service (NHS), Singapore MoH, Aravind Eye Hospital Network, as well as to device vendors such as Optos, TopCon, Canon and Zeiss.

2.2.4 Other Primary Care Services

DIAGNOS also conducts screening camps, where it offers additional services beyond photographic screening. These services may vary from simple patient education and training, to complex offerings such as disease management and treatment.

2.2.5 Expertise

DIAGNOS has developed expertise in algorithm development, Blockchain technology, screening, and system integration, which it plans to leverage by offering paid consulting to non-competitor organizations. Being in the exploratory stage, potential customers could include Canadian firms seeking to export and foreign companies seeking to enter North America. Potential channels to evaluate could initially include existing Canadian federal and provincial government and medical device association relationships.

2.3 Products and Services Offered^{ix}

CARA technology is the company's flagship product offering, through which DIAGNOS is using AI in more than 15 countries, to help detect anomalies in the retina due to diabetic retinopathy. DIAGNOS has screened more than 225,000 patients through the CARA system, which combines the latest in advanced retinal imaging with clinical interpretation of the images.

Over the last 10 years, DIAGNOS has successfully developed an AI platform 'FLAIRE'. The platform is a powerful AI engine that provides the capability of analyzing large and complex data sets. It was developed to analyze data quickly at the lowest cost possible in any of the primary facilities. The company is likely to expand its AI technology platform to new pathology discoveries that will benefit diabetic patients.

2.3.1 CARA

CARA is an innovative application that uses AI for early detection of lesions in the retina that cause diabetic retinopathy. If not treated, it results in vision loss and, ultimately, blindness. CARA's key objective is to reduce costs for governments and primary care facilities while enabling detection of eye disease at the GP level.

Factors that contribute towards making the CARA platform unique for screening include the following:

- CARA is an AI tele-ophthalmology platform that syncs with existing equipment, processes and imaging
- CARA's image enhancement algorithms make standard retinal images sharper, clearer, and easier to read
- CARA is cyber secure and compatible with all recognized image formats and brands of fundus cameras
- Decreased overall healthcare system cost as CARA is a cost-effective real-time tool for image processing

- CARA has been issued a license by Health Canada and US FDA for commercialization
- CARA is also CE Mark, ISO 9001: 2008, and ISO 13485: 2003 approved
- CARA has COFEPRIS certification for Mexico

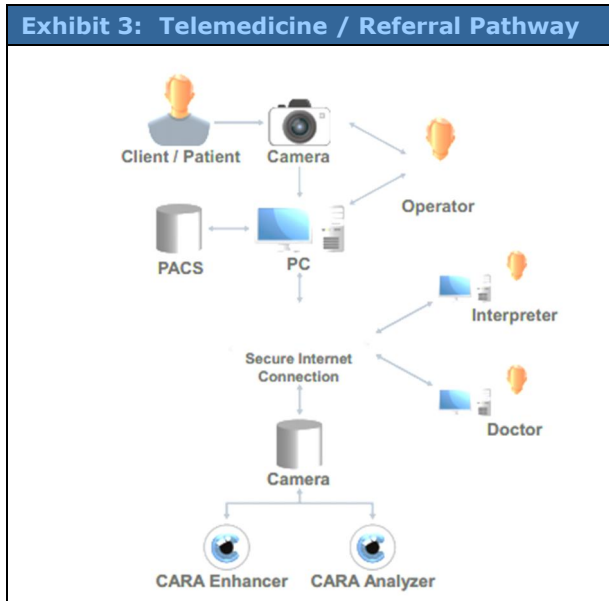
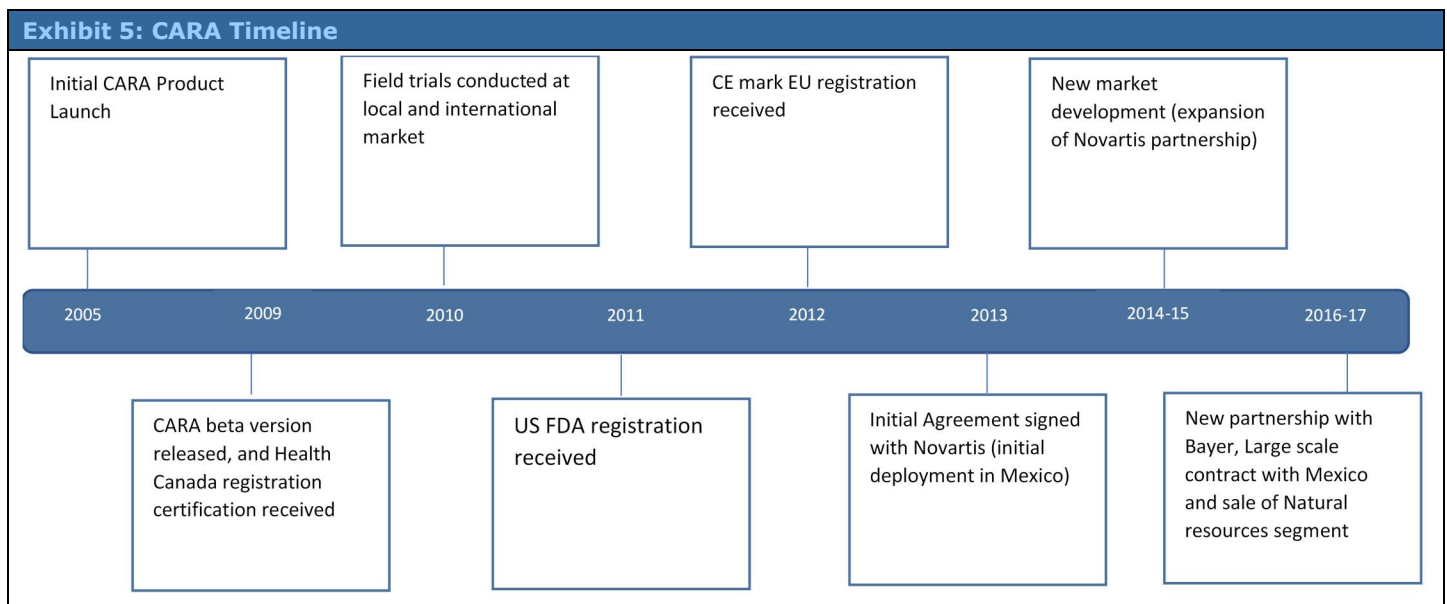


Exhibit 4: Value Proposition

Patient	<ul style="list-style-type: none"> - Convenient non-invasive test - Trip to specialist only if necessary
Diabetologist / GP / Endo	<ul style="list-style-type: none"> - Higher patient compliance - Additional pertinent patient information
Retina Specialist	<ul style="list-style-type: none"> - Increased focus on treatable cases - Increased revenue
Pharmaceutical Company	<ul style="list-style-type: none"> - Increased drug sales volume
Insurance Company	<ul style="list-style-type: none"> - Increased patient compliance - Decreased health plan expenditure
Government	<ul style="list-style-type: none"> - Significant cost avoidance mid / long term - Positive political optics

2.3.1.1 CARA Timeline



2.3.1.2 CARA Proof of Concept

DIAGNOS decided to establish a proof of concept by signing a contract based on a pilot approach. These pilots' main objective was to prove that its AI-based solution will help mass-screen diabetics and classify them for potential initial treatment.

Exhibit 6: List of Contracted Pilots			
Country	Organization	Status	Total Patients
Canada	- VisionMed	- Successful POC - ongoing	- 80
US	- Chaparral USA - DARC - Medrano - Regeneron USA	- Successful POC - ongoing - Test - Test - Successful POC	- 815 - 24 - 25 - 57
Europe	- Association Ophtabus - Novartis Poland - Raymidas Spain - Novartis Turkey - Okulistyka 21	- Test - Successful POC - Test - Successful POC - Successful POC - ongoing	- 10 - 1,517 - 6 - 1,690 - 504
Middle East	- Minister of health UAE - Al Manama - Novartis UAE - Kanhoor Medical Co.	- Successful POC - Successful POC - ongoing - New	- 83 - 12,352 - n/a
Latin America	- Cyan Medica Mexico - Devylyn Mexico - Farmacias Benavides - IMSS - PILOT - ISSSTE Mexico - Novartis Mexico - Sigma Promociones - Swiss Lab - Universidad Tecnologica Emiliano Zapata - Bayer Colombia	- Test - Successful POC - New - Successful POC - Successful POC - ongoing - Successful POC - Successful POC - Successful POC - Test - Successful POC - Successful POC	- 13 - 86 - 37 - 1,934 - 80,718 - 3,276 - 53 - 2 - 517 - 2,100
Africa	- Novartis Pharma Services AG Nigeria - DIAGNOS Algerie - Novartis Kenya	- Successful POC - Successful POC - Successful POC	- 237 - 80 - 1,785
Asia	- Novartis India - Novartis Malaysia - Klux - Taiwan - Eyes for all	- Successful POC - Successful POC - New - New	- 26,471 - 237 - n/a - n/a

2.3.1.3 CARA Business Strategy

DIAGNOS plans to adopt a mixed strategy to market the CARA technology in emerging countries as well as developed markets, as the former have a higher number of diabetes patients and the latter are better equipped to try out new technologies. The company has a presence, either directly or through resellers, in North America (Canada, the US and Mexico), Europe (Poland), Africa (Algeria Kenya), the Middle-East (some countries of the Gulf Cooperation Council) and India, where it seeks to commercialize CARA. The company's focus is on continuing to build revenue and sales in emerging markets and eventually expand in the US, where CARA could offer a unique value proposition to payers and patients. Its core focus is on providing customized experiences, products and services to its existing and prospective clients.

The company's commercialization plan for CARA has covered a multi-phased approach, including the following:

- **Phase I – Tie-ups with Big Pharma Companies:** The strategy involves establishing relationships with big pharmaceutical companies, which have international presence and contacts. The benefit of adopting this strategy is that DIAGNOS can obtain a foothold in the relevant country quickly.

Presently, DIAGNOS has tie-ups with three leading pharma companies, Novartis, Novo Nordisk and Bayer. With Novartis, the company has worked in countries including Saudi Arabia, Japan, Spain, Egypt, Kuwait and Malaysia; with Bayer, the company works in Latin America, Europe, and Canada

- **Phase II – Working Directly with Government Agencies:** In line with this strategy, DIAGNOS works towards entering into contracts directly with government agencies, once it has established a foothold in a particular country. The approach has worked well in Mexico, where the company has been able to secure a contract with the Mexican Social Security Institute (ISSSTE) in 2016 to screen 80,000 patients. DIAGNOS further received an extension to the contract in January 2017, along with an increase in the number of patients screened to 106,300.

In addition, the company is expected to work with local resellers and other players having expertise in the local market. In Bangladesh, DIAGNOS has received some success; it has tied up with 'Eyes for All', a health technology consulting company with relationships in Bangladesh across non-government organizations, healthcare research institutes and the public-sector hospital network

- **Phase III: Working with Private Organizations:** This strategy is being adopted by the company in the US, where it expects to work directly with the owners of the clinics. The idea here is that DIAGNOS will provide a complete solution, including staff training, fundus camera and related systems, while the billing is done for each scan taken. Through this strategy, the company is likely to offer varying services that cover image enhancement only, to turn-key solutions.

DIAGNOS is actively working with cardiology researchers from Montreal Heart Institute (MHI) and ISSSTE to develop a set of algorithms for cardiovascular risk screening. The company's R&D department has discovered that abnormalities in retinal images can potentially provide useful information about clinical and sub-clinical cerebrovascular, cardiovascular, and metabolic health of the patient. Hence, there are advantages of using digital image analysis to quantify the extent of retinal pathology in vascular diseases, diabetic retinopathy, age-related maculopathy and other conditions.

DIAGNOS is planning to release the next generation of CARA diabetic retinopathy detection algorithm by the end of 2018.

2.3.2 Discontinued Business: Natural Resources (CARDS)

The company sold off its mining division in H1 2017 to Majescor Resources Inc., and will only record royalties as defined in the asset sale and purchase agreement between Majescor and DIAGNOS. The segment used to provide data mining consulting services through its proprietary software tool Computer Aided Resource Detection System (CARDS), which used to assist exploration companies in identifying mining deposits. In addition to target generation, the company also offers project management services.

As of May 2017, the company operated in only one segment, i.e., healthcare, following the sales of its natural resources assets.

2.4 Company Premiums*

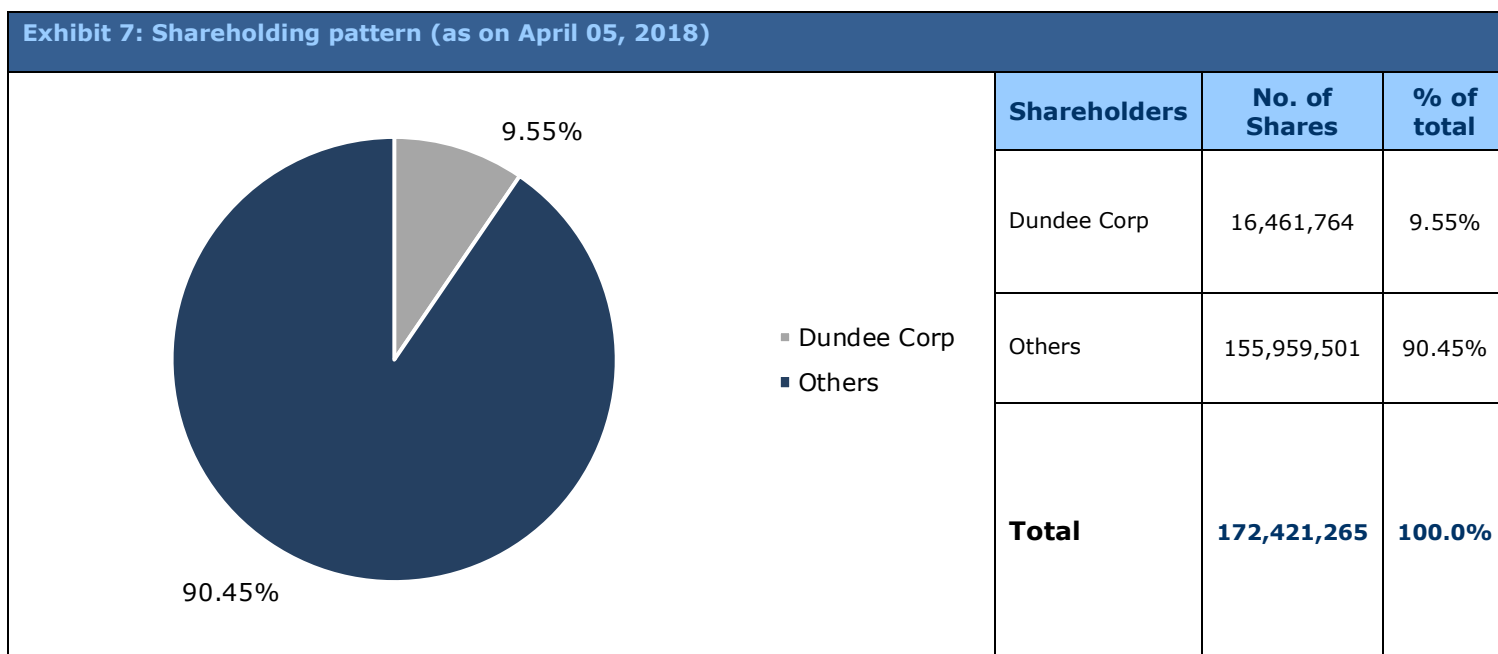
1. **Flexible AI Platform:** The core competency of DIAGNOS lies in its AI Platform. The Company offers a range of customization to its existing AI platform at optimum cost to cater to the needs of each client, which tends to increase client satisfaction and contribute towards the client retention strategy.
2. **Leveraging the Early Business Model:** Healthcare is a cost-sensitive and inconsistent business. DIAGNOS is now implementing a phase II strategy, which could create a larger-scale, longer-term, and more lucrative contracts with national agencies, for example, a longer-term contract with the Mexican government agency ISSSTE.
3. **Market Recognition:** DIAGNOS has succeeded in developing partnerships with well-recognized pharma leaders in the diabetes industry, such as Novartis and Bayer. These relationships have successfully opened the doors for the company in markets in 15 countries.

2.5 Company Risks^{xi}

- 1. Highly Leveraged:** To date, the company's total debt stands at CAD\$ 4.5 million, whereas total shareholders' equity is negative due to a consistently increasing deficit in the balance sheet. The company also frequently refinances its outstanding debt by issuing new debentures at a higher interest rate, which has a negative impact on the interest coverage ratio, as the company's reported EBIT is negative.
- 2. Substitution:** This is one of the significant risks, wherein the clients decide to switch to related products but from a different organization or build their own online platform or software tool to conduct screening programs. DIAGNOS needs to develop means to avoid the substitution risk.
- 3. Stagnation:** It is important for the company to continuously innovate and also appear to be in tune with the market as far as possible. DIAGNOS primarily operates as a technology solutions provider, so it majorly faces the risk of losing its competitive edge because of product innovations by other vendors.
- 4. Higher Concentration:** DIAGNOS currently generates 92% of its revenue from the Mexican Social Security Institute (ISSSTE), a governmental organization, on a contractual basis, which represents a higher concentration risk.

2.6 DIAGNOS' Shareholding Pattern^{xii}

As on April 05, 2018, the number of shares outstanding was 172,421,265.



2.7 Listing and Contact Details^{xiii}

DIAGNOS is listed on Toronto venture Exchange (TSX-ADK)

DIAGNOS is listed on the OTCQB and has a full DTC registration (DGNOF)

Company Contacts

Address: Suite 340, 7005 Taschereau Blvd. Brossard, Quebec, J4Z 1A7, Canada
 Contact No: 450 678-8882
 Fax: 450 678-8119
 Email Id: info@diagnos.ca

3. News^{xiv}

- 1. DIAGNOS announced 2018 Nine months results:** The company registered a 23.9% YoY decline in revenue at CAD\$ 1.5 million in 9M 2017-18 from CAD\$ 2.0 million in 9M 2016-17. The overall decline in revenue is attributable to the decrease in the number of signed agreements from the healthcare sector and the sale of the mining division. EBIT for the company declined to CAD\$ - 1.81 million in 9M 2017-18 from CAD\$ -1.06 million in 9M 2016-17, mainly due to the reduction in costs of services and research and development
- 2. Dundee Corporation scale down its stake in DIAGNOS Inc.:** Dundee sold 1.17% stake in DIAGNOS Inc. Now, Dundee owns 16,461,764 shares, approximately 9.55% on diluted basis down from 10.72%. Dundee acquired shares of DIAGNOS for the purpose of investment only
- 3. Diagnos will sign a new contract of screening 35,000 patients in Saudi Arabia:** In last 10 months, DIAGNOS diligently worked with Kanhoor Medical company and has successfully completed screening of 2,500 patients as a part of pilot projects, after which Kanhoor has extended its agreement for next three years to screen every diabetic patient in the Kingdom
- 4. Diagnos announced the opening of its third eye screening clinic:** The company has announced the opening of its third eye clinic at Chaparral Medical Group Health Management Wellness Center. Chaparral will introduce the CARA in their annual wellness program
- 5. DIAGNOS announced the sale of its mining business:** The company announced the sale of the assets from its mining division to Majescor Resources on March 15, 2017. According to the agreement signed between DIAGNOS and Majescor, the latter will issue 8 million common shares of its share capital to DIAGNOS, at a deemed price of \$0.10 per share, to pay for the acquired assets. Additionally, Majescor will remit to DIAGNOS 50% of any payment that Majescor receives from the royalty agreements forming part of the acquired assets, and secondly 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
- 6. DIAGNOS announced FY 2016-17 results:** The company registered a 144.0% YoY increase in revenue at CAD\$ 2.4 million in FY 2016-17 from CAD\$ 1.0 million in FY 2015-16 which is mainly driven by the Healthcare agreement signed between a Mexican government organization and DIAGNOS during the quarter ended September 30, 2016. EBIT for the company improved slightly from CAD\$ -2.7 million in FY 2015-16 to \$ -2.0 million in FY 2016-17. Further, net loss declined to CAD\$ 2.9 million in FY 2016-17 from CAD\$ 3.2 million in FY 2017-18
- 7. DIAGNOS successfully passed ISO annual surveillance audit:** DIAGNOS announced that it has successfully passed the ISO 13485 - medical devices and ISO 9001 annual surveillance audit for its CARA healthcare platform
- 8. DIAGNOS announced closing of a private placement:** - The company announced the closing of a non-brokered private placement for an aggregate value of CAD\$ 2.6 million, of which gross cash proceeds amounted to CAD\$ 2.5 million following the conversion of one outstanding short-term loan into 15 units representing CAD\$ 0.2 million. On October 13 and 23, 2017, the Corporation closed a non-brokered private placement for gross cash proceeds of CAD\$ 1.0 million
- 9. DIAGNOS announced a one-year agreement in North Africa:** DIAGNOS announced that it has finally reached a positive conclusion to a pilot project by signing a turnkey one-year screening contract in North Africa
- 10. DIAGNOS announced New Project with C.N.M.S Hospital, Algeria:** DIAGNOS Inc. announced a new project with the cardiology department of C.N.M.S Hospital, Algiers, Algeria. The company will monitor 1,000 patients with chronic diseases, using its artificial intelligence technology
- 11. DIAGNOS signed a new contract with the Government of Mexico at ISSSTE valued at 5.26 million CAD\$:** In July 2017, DIAGNOS entered into a new contract with the Government of Mexico to manage 320,000 patients. It re-screened 79,407 existing patients from 2016 onward. The contract was awarded after the successful completion of the pilot project

- 12. DIAGNOS partnered with Garuda Health Services in Cambodia:** DIAGNOS announced that it has added a new partner to cover Cambodia, Garuda Health Services. Cambodia is the 16th country in the world where DIAGNOS will be able to screen patients. A new screening service will be offered to the company's clientele during their annual physical exam. The service is scheduled to be launched in late fall of this year and should cover 22,400 patients under its care. DIAGNOS's CARA solution will provide automatic detection and classification of diabetic retinopathy disease. Detection of anomalies for age macular degeneration is also planned to be available
- 13. DIAGNOS to have EDC as guarantor for performance bond:** DIAGNOS receives support from Export Development Canada (EDC) for the issuance of a performance bond for the ISSSTE contract. EDC is Canada's export credit agency and engaged in supporting and developing Canada's export trade by helping Canadian companies respond to international business opportunities. EDC is a self-financing, Crown corporation independent of the government of Canada. EDC has agreed to act as guarantor for DIAGNOS regarding the issuance of a performance bond under the terms of the agreement with ISSSTE

4. Management and Governance^{xv}

The Company has a team of experienced professionals with expertise in varied fields. These highly qualified professionals have been with the firm for a long time, signifying the stability of the firm's management. The management's focus is on improving profitability.

Exhibit 8: Management Team		
Name	Designation	Background
Andre Larente	President & CEO	<ul style="list-style-type: none"> • Andre has been the CEO and President of DIAGNOS Inc.. since June 2004 • He has been involved in high – technology industry since 1978 • He completed his bachelors in Commerce and Management Information Systems from Sherbrooke University • He has been associated with companies such as Siemens, Honeywell Information Systems, Syscan International, Cognos, tandem Computers, Legent, Newbridge Networks
Marc-Andre Massue	VP - Finances	<ul style="list-style-type: none"> • Marc joined the team in 2008 and is the VP of Finances • He has an experience of more than 15 years and has worked with big corporates like Bombardier Inc., Systemes M3I Inc., and Ernst and Young. • He has completed Bachelor of Business Administration (BBA) from HEC Montreal. • He is a member of Quebec Order of Chartered Accountants.
Guillermo Moreno Robles	VP – Sales	<ul style="list-style-type: none"> • Guillermo holds Masters in Economics, Masters in E-Commerce and BBA degree. • He has an experience of 9 years in providing economic consulting to investors and in business promotion • He has worked for Government of Mexico in Asia Pacific region
Dr. Hadi Chakor	Chief Medical Officer	<ul style="list-style-type: none"> • Hadi has a vast experience of 20 years in clinical research and consulting for various government organization and universities • He has completed is Masters in biomedical engineering in the field of visual electrophysiology from University of Montreal • He has done MD and his PHD in biomedical sciences • He has participated in publication of several government reports in Canada. • He has won Jean-Louis Levesque Award, 2011

5. Industry Overview

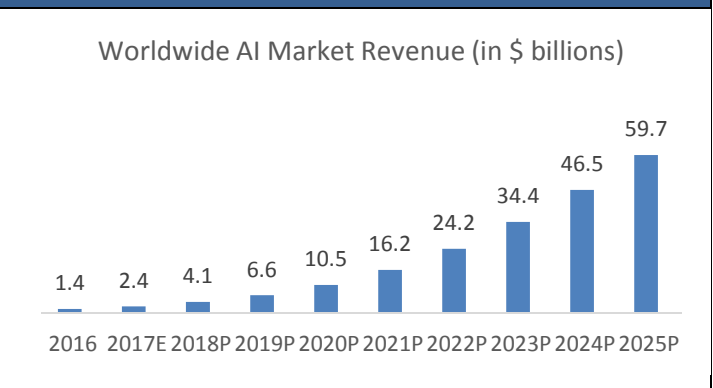
5.1 Artificial Intelligence

Artificial intelligence market has evolved at a remarkable pace as technology companies and increasing number of start-ups have shown strong interests in creating platforms based solutions to support clients achieve optimum results. Newer technologies such as deep learning, intelligent robots, natural language processing, cognitive computing and querying method etc. have aided in the enhancement of the existing systems to produce maximum output. The major drivers for the growth are increasingly large and complex datasets and growing number of AI applications in various end-user industries. Moreover, the increasing adoption of AI-enabled products and software tools to improve consumer services further accelerate its market growth.

In 2016, the global AI market size was \$1.4 billion which is expected to reach at a value of \$59.7 billion in 2025 at a CAGR of 52%. A good amount of investment is being made in Artificial Intelligence by lot of companies which is expected to provide some acceleration to the AI industry. In 2016, AI startups raised funding of \$ 5 billion despite of decline in venture capital funding across several other industries.

Of all the major end-user industries, retail, healthcare, finance, agriculture, transportation and automotive holds immense potential of the artificial intelligence market. The market for the healthcare end-user industry is expected to grow at the highest rate in the artificial intelligence market from 2016 to 2022.

Exhibit 9: Worldwide AI market size^{xvi}



Note: * P is projected

5.1.1 Artificial Intelligence in Healthcare

The AI market in healthcare has high growth opportunities due to rising needs of self-care and real-time monitoring. Globally, AI in healthcare market is driven by the ability to improve patient outcomes, increase in need for coordination between healthcare workforce & patients, rise in adoption of precision medicine, significant use of big data in the healthcare sector, and remarkable rise in venture capital investments. Key healthcare applications using AI at present include – Intelligent DIAGNOSTics, Patient and Provider Data Management, Drug Discovery Process with Advanced Analytics, and Medical Devices and Robotics. AI is presently being used for variety of processes within the healthcare industry, although the three areas with the biggest AI potential are,

- Supporting diagnosis in areas such as detecting small variations from the baseline in patients’ health data or comparison with similar patients
- Early identification of potential pandemics and tracking incidence of the disease to help prevent and contain its spread
- Imaging diagnostics (radiology, pathology)

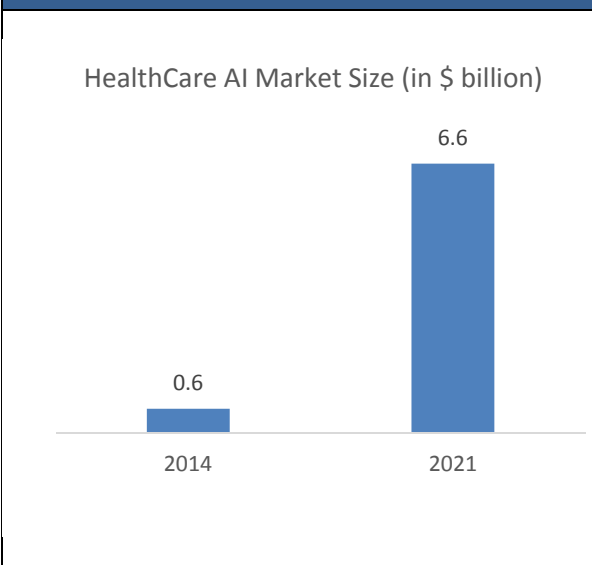
Global Artificial Intelligence in Healthcare Market was valued at \$1,441 million in 2016, and is estimated to reach at \$22,790 million by 2023, registering a CAGR of 48.0% from 2017 to 2023. AI in healthcare has enabled machines to comprehend and learn so that can perform both the administrative and clinical functions.

The AI healthcare market mainly driven by rise in adoption of precision medicine, rapid increase in venture capital investments, rise in use of big data in the healthcare sector and the ability of AI to produce better results for the patients and healthcare players.

The end users of AI in healthcare include providers, pharmaceutical and biotechnology companies, accountable care organization (ACO), managed care organization (MCO), patients, and payers. Providers held the largest market share in 2016 owing to the better patient experience owing to the usage of AI, reduced costs, growing adoption of electronic health records by healthcare organizations, and improving hospital in-patient care.

Geographically, North America remains the largest healthcare market for AI followed by Europe. Huge investments and strict governmental regulations is driving the growth in North America, whereas the European market is growing due to increased need of quality care and high cost burden associated with re-hospitalization. According to an analysis presented by Accenture, key clinical health AI applications can potentially create \$150 billion in annual savings for the US healthcare economy by 2026.

Exhibit 10: Healthcare AI Market Size^{xvii}



5.1.2 Artificial Intelligence in Medical Imaging^{xviii}

Globally by application, medical imaging and diagnosis is the next big segment after drug discovery in the healthcare artificial intelligence market, and is expected to record more than 40% growth to cross a value of USD 2.5 billion by 2024.

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

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

5.1.3 Artificial Intelligence in Cardiac Imaging Market^{xix}

Cardiac imaging software is installed in cardiac imaging devices. Heart and cardiovascular diseases are the leading causes of the deaths throughout the world because of which the Global Cardiac Imaging Software Market is expected to grow at a CAGR of 9% for the period of 2017-2023. The key drivers for this market are increasing cases of diabetes and heart diseases. A good amount of support is coming from public and private companies in form of funds to cardiac imaging software developers and vendors to improve features. Government initiatives, development in healthcare IT and increasing applications of computer aided diagnosis are expected to drive the growth of this market.

America is the major cardiac imaging software market because of huge patient population and technological advancements. Also, good amount of investment is coming from private and public sectors. The key drivers for this market in America are modern technology, high healthcare expenditure and growing old aged population. Europe is the second largest market for cardiac imaging software market followed by Asia Pacific.

5.2 Diabetic Retinopathy

5.2.1 Diabetic eye disease

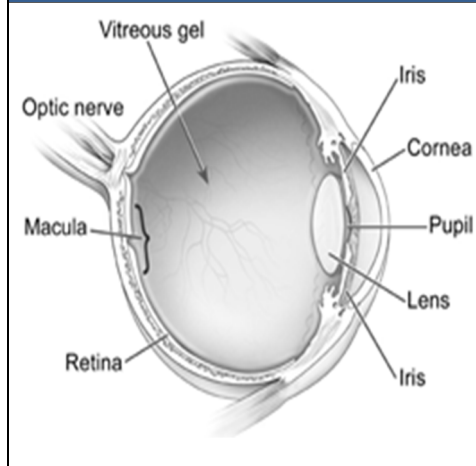
Diabetic eye disease is a group of eye conditions that can affect people with diabetes. Diabetic eye disease can affect many parts of the eye, including the retina, macula, lens and the optic nerve

- **Diabetic retinopathy** affects blood vessels in the light-sensitive tissue called the retina that lines the back of the eye. It is the most common cause of vision loss among people with diabetes and the leading cause of vision impairment and blindness among working-age adults.
- **Diabetic macular edema (DME)** is a consequence of diabetic retinopathy. DME is swelling in an area of the retina called the macula and is the most common cause of vision loss among people with diabetic retinopathy. About half of all people with diabetic retinopathy will develop DME. Although it is more likely to occur as diabetic retinopathy worsens, DME can happen at any stage of the disease.

Diabetic eye disease also includes cataract and glaucoma:

- **Cataract** is a clouding of the eye's lens. Adults with diabetes are 2-5 times more likely than those without diabetes to develop cataract. Cataract also tends to develop at an earlier age in people with diabetes.
- **Glaucoma** is a group of diseases that damage the eye's optic nerve—the bundle of nerve fibers that connects the eye to the brain. Some types of glaucoma are associated with elevated pressure inside the eye. In adults, diabetes nearly doubles the risk of glaucoma

Exhibit 11: Structure of an eye^{xx}



5.2.2 Diabetic Retinopathy Market: By Type^{xxi}

Diabetic Retinopathy is mainly of two types: 1) Non-proliferative Diabetic Retinopathy (NPDR) and 2) Proliferative Diabetic Retinopathy (PDR)

- **NPDR:** NPDR is the early stage of the disease in which symptoms are mild or non-existent. In NPDR, the blood vessels in the retina are weakened. Tiny bulges in the blood vessels, called microaneurysms, may leak fluid into the retina. This leakage may lead to swelling of the macula. Individuals with this type of diabetic retinopathy may lose vision because of macular oedema.
- **PDR:** PDR is the more advanced form of the disease and is a vision threatening condition. At this stage, circulation problems deprive the retina of oxygen. As a result, new fragile blood vessels can begin to grow in the retina and into the vitreous, the gel-like fluid that fills the back of the eye. The new blood vessels may leak blood into the vitreous, clouding vision.

Exhibit 12: Proliferative Retinopathy

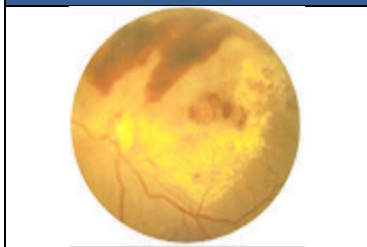
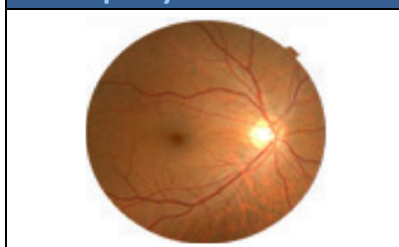


Exhibit 13: Non -Proliferative Retinopathy



Generally, people with type 1 or type 2 diabetes are at high risk for developing diabetic retinopathy. The longer a person has diabetes, the more likely he or she is to develop diabetic retinopathy, particularly if the diabetes is poorly controlled. Diabetes, is a chronic disease where blood sugar level remains too high and is generally categorized in three types which are 1) Type 1 diabetes, 2) Type 2 diabetes, and 3) Gestational diabetes. Type 1 diabetes occurs mainly because of low production of insulin within the body; while Type 2 diabetes mainly occurs when body is not able to make use proper use of insulin. Excessive body weight and low physical activity are main reasons behind this type of diabetes. Gestational diabetes mainly occurs during pregnancy when a woman without diabetes develops high level of blood sugar.

Exhibit 14: Complications due to Diabetes



5.2.3 Diabetic Retinopathy Market: By Geography

In 2016, the global diabetic retinopathy market was estimated at USD 6.1 billion and is expected to reach USD 8.52 billion at a CAGR of 6.9% from 2016 to 2021. The key drivers for this market are increase in diabetes cases, rise in ageing population. Apart from this, strong awareness for detection of diabetic retinopathy is also a key driver for diabetic retinopathy market. Based on geography, North America is the biggest market for Diabetic retinopathy followed by Asia-Pacific and Europe.

North America is most affected by diabetic retinopathy disease as it one of the biggest markets for diabetes. In 2016, more than 27 million diabetic patients were there in the US. This is mainly because of increase in ageing population, sedentary lifestyles, low physical inactivity and unhealthy eating habits. The US diabetic retinopathy market is expected to expand at a CAGR of 6.05% from USD 2.14 billion in 2016 to USD 2.86 billion in 2021. The key drivers for this market are scarcity of rising financial support, modification in lifestyle, rising occurrence of diabetes and ageing population.

In addition, minorities in the US, Hispanics and Native Americans are at high risk of developing diabetes and related diabetes retinopathy and vision loss. According to the National Eye Institute (NEI), more than 13 percent of African-American adults have been diagnosed with diabetes, and at least 825,000 have diabetic retinopathy. NEI expects the number of black Americans with diabetic retinopathy will increase to more than 1 million by 2030 and to nearly 2 million by 2050.

The European diabetic retinopathy market is expected to grow at a CAGR of 6.55% for period of 2016-2021. The market was valued at USD 1.10 billion in 2016 which is expected to reach a USD 1.51 billion by 2021. The market is expected to rise because of increasing diabetic retinopathy cases in western European countries. Also, there have been several initiatives in the European Diabetic Retinopathy market such as ample R&D activities, government initiatives and improvements in the services provided by healthcare providers.

In 2016, the market size of Asian Diabetic Retinopathy market was USD 1.46 billion and is expected to grow at a CAGR of 7.94% to USD 2.15 billion by 2021. The major contribution to this value is coming from western Pacific regions in comparison to South-East Asian countries. The major drivers for this market are increasing population, rise in government initiatives, increasing awareness in people regarding diabetic retinopathy.

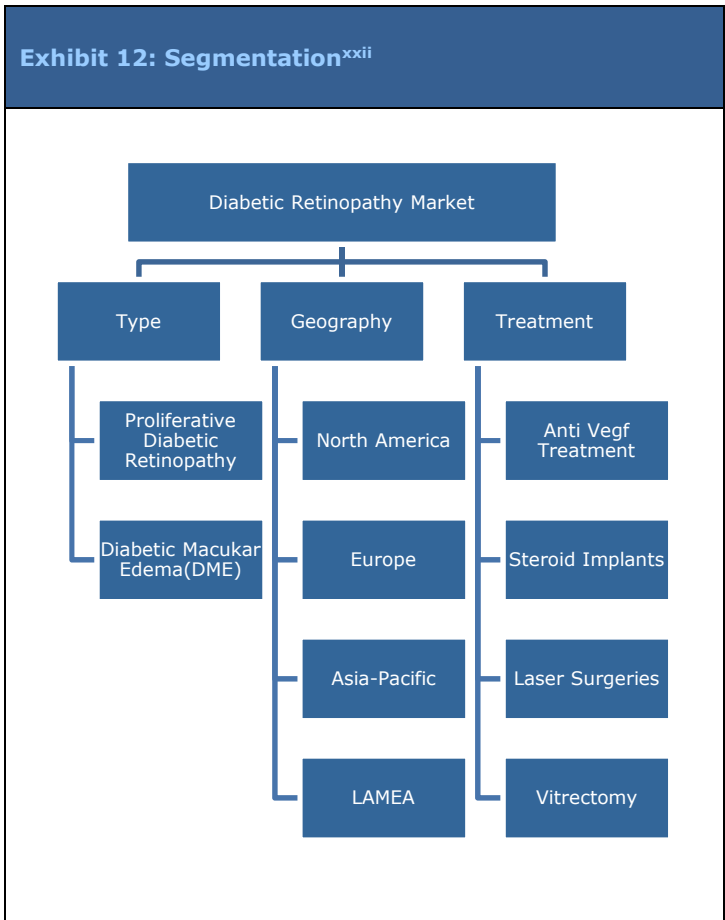
MEA and Latin America are expected to show a CAGR of 10.2% and 7.2% respectively for a period of 2016-2023. This growth is expected mainly because of government initiatives and better medical offerings.

5.2.4 Diabetic Retinopathy Market: By Treatment

Anti-Vegf treatments are generally those treatments which comprise medicines to reduce growth of new blood vessel. These are helpful in treating number of eye conditions which lead to growth of new blood vessel or swelling under retina. Presently, Anti-Vegf treatments are used to cure Age related macular degeneration, Diabetic maculopathy and macular oedema caused by retinal vein occlusion.^{xxiii}

Steroid Implants are new way of treating eye conditions, particularly macular oedema in retinal vein occlusion, uveitis, and less commonly diabetic retinopathy and other conditions. Steroid drug is prepared in a tiny capsule, and is inserted into the eye with an injection.^{xxiv}

Laser Surgeries nowadays have become very important in the treatment of different eye disease and problems. There are several types of laser surgeries available to treat glaucoma. The most common type of laser surgeries which are used to treat glaucoma are Selective Laser Trabeculoplasty, Argon Laser Trabeculoplasty, Laser Peripheral Iridotomy and Laser Cyclophotocoagulation.^{xxv}



Vitreotomy is a surgery which is done to remove the vitreous gel which is basically a gel which fills the inner portion of the eye so that the vision can be corrected. It is helpful in many eye conditions such as diabetic retinopathy, retinal detachments, macular hole, macular pucker and vitreous haemorrhage. Vitreous gel is a gel that fills the inner portion of the eye.

5.3 Competitive Landscape

The table below highlights the key competitors of DIAGNOS:

Key Competitors						
Company Name	Founded	Headquarters	Latest Revenue (\$mn)	Latest Employees	Product Name	Brief Product Description
Eyenuk	2010	US	-	71	EyeArt	Combines automated image analysis tools with a telemedicine/ cloud-based interface to address the need for faster screening of diabetic patients
					EyeMark	Tracks retinopathy progression
					EyeApp	Enables healthcare providers to conduct diabetic retinopathy screening via a cellphone
					EyeSeeAMD	An automated retinal imaging analysis technology to identify age-related macular degeneration (AMD)
Intelligent Retinal Imaging System	2011	US	5	11-50	Image Optimization	IRIS software enhances each image automatically to help identify potential disease
					Cloud based diagnostic imaging solution	For diabetic retinopathy examination and detection
IDx	2010	US	1	11-50	Idx-DR	Automated diagnosis to detect diabetic retinopathy and diabetic macular edema
					Idx Smart Retinal Imaging	Portable retinography
Retmarker	2008	Portugal	1.7	32	Retmarker Screening	Retmarker automated analysis algorithm helps in processing patient images and helps remove patients without signs of DR lesions
					Retmarker DR	Automatically assesses a disease based on a proprietary biomarker
					Retmarker AMD	Assisted grading of retinographies from patients with AMD
					Retmarker C	Provides information to monitor the progression of

						retinal diseases such as Diabetic Retinopathy (DR) and AMD
RetinaLyze System	2001	Denmark	1.8	49	RetinaLyze	A screening software which helps eye care professionals perform screenings for eye diseases
Vision Quest	2010	US	-	35	DR-RACS	DR automated detection
					MfIS-DPN	For diabetic peripheral neuropathy
					Aspire	Detection of malarial retinopathy
					Neoscan	Retinopathy of premature diseases
VoxelCloud	2016	US	-	11-50	Retina Disease Screening Software	AI-aided retinal image management and interpretation platform for DR screening

6. Valuation

The Fair Market Value for one Company publicly traded share stands between CAD\$ 0.19 and CAD\$ 0.39 as of April 05, 2018. The valuation approach followed is the Discounted Cash Flow method.

6.1 Discounted Cash Flow Method

Valuation	
WACC	
Risk-free rate	2.21% ^{xxvi}
Beta	1.15 ^{xxvii}
Equity Market return	11.59% ^{xxviii}
Country Risk Premium	0.0%
Cost of Equity	13.00%
Cost of Debt	8.68%
Terminal Growth Rate	2.5%
WACC (Discount Rate)	12.57%

Year Ending- Mar	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
FCFF (Low)								
Net cash from operating activities	(1,332)	227	709	1,038	1,961	2,790	3,828	5,833
Capital Expenditure	(286)	(388)	(404)	(542)	(550)	(715)	(701)	(778)
Free Cash Flow to Firm	(1,618)	(161)	305	496	1,411	2,075	3,126	5,055
Discount factor	0.92	0.81	0.72	0.64	0.57	0.51	0.45	0.40
Present Value of FCF	(1,482)	(131)	220	319	805	1,052	1,408	2,022
FCFF (High)								
Net cash from operating activities	(1,268)	587	1,189	1,888	3,342	4,880	6,933	9,793
Capital Expenditure	(337)	(449)	(471)	(645)	(684)	(941)	(975)	(1,131)
Free Cash Flow to Firm	(1,605)	138	718	1,243	2,658	3,939	5,958	8,662
Discount factor	0.92	0.81	0.72	0.64	0.57	0.51	0.45	0.40
Present Value of FCF	(1,471)	113	519	798	1,517	1,997	2,683	3,466

Arrowhead Fair Value Bracket	High	Low
Terminal Value (TV)	172,324	92,531
Present Value of TV	48,337	25,955
Present Value of FCF	23,044	11,698
Net Debt ^{xxix}	4,222	4,222
Equity Value Bracket		
Shares O/s (000's)	172	172
Fair Share Value Bracket (CAD\$)		
Current Market Price (CAD\$) ^{xxx}	0.07	0.07
Upside/(Downside)	456.4%	177.0%
Current Market Cap. (CAD\$ '000)	12,069	12,069
Target Market Cap. Bracket (CAD\$ '000)		
	67,159	33,431

Sensitivity Analysis

Sensitivity Table - High		WACC (%)				
		10.6%	11.6%	12.57%	13.6%	14.6%
Terminal Growth Rate (%)	0.0%	0.40	0.36	0.33	0.30	0.27
	2.0%	0.45	0.41	0.37	0.34	0.31
	2.5%	0.47	0.43	0.39	0.35	0.32
	3.0%	0.49	0.44	0.40	0.37	0.33
	3.5%	0.51	0.46	0.42	0.38	0.35

Sensitivity Table - Low		WACC (%)				
		10.6%	11.6%	12.57%	13.6%	14.6%
Terminal Growth Rate (%)	0.0%	0.20	0.18	0.16	0.15	0.13
	2.0%	0.23	0.21	0.19	0.17	0.15
	2.5%	0.24	0.21	0.19	0.17	0.16
	3.0%	0.25	0.22	0.20	0.18	0.16
	3.5%	0.26	0.23	0.21	0.19	0.17

Approach for DCF Valuation

Time Horizon: The Arrowhead fair valuation for DIAGNOS is based on a DCF method. The time period chosen for the valuation is 120 months (2018E-2028E).

Terminal Value: Terminal value is estimated using terminal growth rate of 2.5%.

Prudential nature of valuation: It should be noted that this Arrowhead Fair Value Bracket estimate is a relatively prudential estimate, as it discounts the eventuality of any new products being launched in the market or any significant change in the strategy.

7. Appendix

7.1 DIAGNOS' Financial Summary

Exhibit 13: Financial Summary		<i>Low Bracket Estimates</i>					
<i>Year Ending Mar</i>	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Revenue (CAD\$ 000)	1,968	3,207	5,012	7,688	10,931	14,814	19,361
Operating Profit (CAD\$ 000)	(1,901)	(504)	(80)	371	1,693	3,303	5,653
Net Income (CAD\$ 000)	(2,458)	(1,125)	(701.36)	(251)	784	1,963	3,683
EPS	(0.01)	(0.01)	(0.00)	(0.00)	0.00	0.01	0.02
Growth rates (%)							
Revenue	(17.7%)	62.9%	56.3%	53.4%	42.2%	35.5%	30.7%
Operating Profit	(3.7%)	(73.5%)	(84.1%)	(563.3%)	356.7%	95.2%	71.1%
Margins (%)							
Gross Margins (%)	35.4%	52.3%	53.4%	57.8%	64.5%	70.3%	74.2%
Operating Profit Margin	(96.6%)	(15.7%)	(1.6%)	4.8%	15.5%	22.3%	29.2%
Net Profit Margin	(124.9%)	(35.1%)	(14.0%)	(3.3%)	7.2%	13.3%	19.0%
Ratios							
ROA	(45.1%)	(35.6%)	(13.1%)	29.8%	44.6%	50.7%	45.7%
ROE	N.A	N.A	N.A	N.A	N.A	N.A	132.7%
Debt/Equity	(1.51x)	(1.09x)	(0.93x)	(0.89x)	(1.05x)	(1.94x)	3.28x
Interest Coverage	(0.33x)	(1.23x)	(7.77x)	1.68x	0.37x	0.19x	0.11x

Exhibit 14: Financial Summary		<i>High Bracket Estimates</i>					
<i>Year Ending Mar</i>	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Revenue (CAD\$ 000)	2,322	3,713	5,851	9,157	13,605	19,528	26,969
Operating Profit (CAD\$ 000)	(1,765)	(175)	621	1,716	3,409	5,986	9,962
Net Income (CAD\$ 000)	(2,322)	(796)	0.07	801	2,040	3,927	6,837
EPS	(0.01)	(0.00)	0.00	0.00	0.01	0.02	0.04
Growth rates (%)							
Revenue	(2.9%)	59.9%	57.6%	56.5%	48.6%	43.5%	38.1%
Operating Profit	(10.6%)	(90.1%)	(455.6%)	176.1%	98.7%	75.6%	66.4%
Margins (%)							
Gross Margins (%)	44.0%	60.3%	62.1%	66.7%	70.1%	73.7%	75.9%
Operating Profit Margin	(76.0%)	(4.7%)	10.6%	18.7%	25.1%	30.7%	36.9%
Net Profit Margin	(100.0%)	(21.4%)	0.0%	8.7%	15.0%	20.1%	25.4%
Ratios							
ROA	(28.7%)	0.0%	22.8%	37.2%	42.8%	45.8%	41.3%
ROE	N.A	N.A	N.A	N.A	N.A	104.5%	65.3%
Debt/Equity	(1.58x)	(1.23x)	(1.23x)	(1.58x)	(5.62x)	1.44x	0.45x
Interest Coverage	(0.35x)	(3.56x)	1.00x	0.36x	0.18x	0.10x	0.06x

7.2 DIAGNOS' Balance Sheet Forecast

Exhibit 15: Consolidated Balance Sheet	All figures in CAD\$ '000, unless stated differently		<i>Low Bracket estimates</i>				
	Year Ending-Mar	2018E	2019E	2020E	2021E	2022E	2023E
Total current assets	1,805	1,023	716	765	1,953	3,987	7,321
Total non-current assets	1,074	1,088	1,109	1,247	1,302	1,552	1,664
TOTAL ASSETS	2,879	2,111	1,824	2,011	3,255	5,539	8,985
Total current liabilities	933	1,274	1,689	2,126	2,586	2,907	2,670
Total non-current liabilities	4,477	4,493	4,493	4,493	4,493	4,493	4,493
TOTAL LIABILITIES	5,410	5,766	6,182	6,619	7,079	7,400	7,163
Total shareholder's equity	(2,981)	(4,107)	(4,808)	(5,059)	(4,275)	(2,312)	1,371
TOTAL LIABILITIES & EQUITY	2,429	1,660	1,374	1,561	2,805	5,088	8,534

Exhibit 16: Consolidated Balance Sheet	All figures in CAD\$ '000, unless stated differently		<i>High Bracket estimates</i>				
	Year Ending-Mar	2018E	2019E	2020E	2021E	2022E	2023E
Total current assets	1,893	1,401	1,748	2,777	5,441	9,692	16,395
Total non-current assets	1,125	1,131	1,162	1,333	1,427	1,788	1,990
TOTAL ASSETS	3,018	2,532	2,910	4,110	6,868	11,481	18,385
Total current liabilities	936	1,230	1,608	2,007	2,724	3,410	3,477
Total non-current liabilities	4,477	4,493	4,493	4,493	4,493	4,493	4,493
TOTAL LIABILITIES	5,413	5,723	6,101	6,500	7,217	7,903	7,970
Total shareholder's equity	(2,845)	(3,642)	(3,641)	(2,840)	(800)	3,127	9,964
TOTAL LIABILITIES & EQUITY	2,568	2,082	2,459	3,659	6,417	11,030	17,934

8. Analyst Certifications

I, Parvati Rai, certify that all the views expressed in this research report accurately reflect my personal views about the subject security and the subject Company, based on the collection and analysis of public information and public Company disclosures.

I, Sumit Wadhwa, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject Company, based on the collection and analysis of public information and public Company disclosures.

Important disclosures

Arrowhead Business and Investment Decisions, LLC received fees in 2017 and will receive fees in 2018 from DIAGNOS SA for researching and drafting this report and for a series of other services to DIAGNOS SA, including distribution of this report and investor relations services. Neither Arrowhead BID nor any of its principals or employees own any long or short positions in DIAGNOS. Arrowhead BID's principals intend to seek a mandate for investment banking services from DIAGNOS in the near-term and expect to receive compensation for investment banking activities for DIAGNOS in 2018.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

Any opinions expressed in this report are statements of Arrowhead BID's judgment to this date and are subject to change without notice.

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Investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary.

Investors are advised to gather and consult multiple sources of information while preparing their investment decisions. Recipients of this report are strongly advised to read the Information on Arrowhead Methodology section of this report to understand if and how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision-making process.

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9. Notes and References

- i Source: Bloomberg: 52 weeks - January 05, 2018 to April 05, 2018
- ii Source: Bloomberg: 3 months - January 05, 2018 to April 05, 2018
- iii Source: Bloomberg: 3 months - January 05, 2018 to April 05, 2018
- iv Arrowhead Business and Investment Decisions Fair Value Bracket – AFVBTM. See information on valuation on pages 22-23 of this report and important disclosure on page 26 of this report
- v Source: Company Filings, Company Website and Press releases
- vi Source: Company Website and Company Filings
- vii Source: Company Website
- viii Source: Company Website
- ix Source: Company Website
- x Source: Company Website, Company filings
- xi Source: Company Website, Company filings
- xii Source: Company Management and Bloomberg
- xiii Source: Company Website
- xiv Source: Company Website, Factiva
- xv Source: Company Website
- xvi Source: Statista (<https://www.statista.com/statistics/607716/worldwide-artificial-intelligence-market-revenues/>)
- xvii Source: Allied Market Research (<https://www.alliedmarketresearch.com/artificial-intelligence-in-healthcare-market>)
- xviii Source: Gmsights(<https://www.gmsights.com/industry-analysis/healthcare-artificial-intelligence-market>)
- xix Source: Openpr (<https://www.openpr.com/news/885678/Cardiac-Imaging-Software-Market-to-Register-at-CAGR-of-9-0-throughout-2018-2023.html>)
- xx Source: Allied Market Research (<https://www.alliedmarketresearch.com/diabetic-retinopathy-market>)
- xxi Source: AOA (<https://www.aoa.org/patients-and-public/eye-and-vision-problems/glossary-of-eye-and-vision-conditions/diabetic-retinopathy>)
- xxii Source: Allied Market Research (<https://www.alliedmarketresearch.com/diabetic-retinopathy-market>)
- xxiii Source:RNIB (<http://www.rnib.org.uk/eye-health-eye-conditions-z-eye-conditions/anti-vegf-treatment>)
- xxiv Source: Diabeticretinopathy Org(<http://www.diabeticretinopathy.org.uk/intravitrealsteroidimplants.html>)
- xxv Source: <https://www.glaucoma.org/treatment/laser-surgery.php>
- xxvi Source: Bloomberg
- xxvii Source: Bloomberg
- xxviii Source: Bloomberg
- xxix Source: Company Filing
- xxx Source: Bloomberg