DIAGNOS

Interim Condensed Consolidated Financial Statements - Unaudited

Three-month Period ended June 30, 2019

DIAGNOS Inc.

<u>Note to reader</u>: These Interim Condensed Consolidated Financial Statements have not been reviewed or by our auditor.

Interim Condensed Consolidated Statements of Financial Position
(amounts in Canadian dollars)

	Note	June 30, 2019	March 31, 2019
		As at	
		$	
ASSETS			
Current			
Cash		46,313	138,242
Short-term investments	6	51,185	555,712
Accounts receivable	7	355,196	390,537
Prepaid expenses		37,777	8,431
		490,471	1,092,922
Non-current			
Investments	8	-	10,000
Capital assets		76,370	104,219
		76,370	114,219
Total assets		**566,841**	**1,207,141**
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	344,393	766,840
Deferred revenue		1,042	4,167
Loans	10	28,062	-
Convertible debentures	12	-	1,670,240
Leases	13	40,056	39,349
		413,553	2,480,596
Non-current			
Convertible notes	11	135,087	880,546
Convertible debentures	12	-	2,896,551
Leases	13	21,725	32,047
		156,812	3,809,144
Total liabilities		**570,365**	**6,289,740**
SHAREHOLDERS' DEFICIENCY			
Share capital	14	29,745,022	23,698,314
Reserve	15	8,210,092	8,169,228
Deficit		(37,955,325)	(36,950,068)
Investments revaluation reserve		(53,082)	(53,532)
Foreign exchange differences		49,769	53,459
		(3,524)	(5,082,599)
Total liabilities and shareholders' deficiency		**566,841**	**1,207,141**

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

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(amounts in Canadian dollars)

	Note	Three-month period ended June 30, 2019	2018
		$	
Revenue	17	**81,434**	**93,124**
Expenses			
Costs of services and research and development		249,645	291,805
Selling and administrative		496,588	524,743
		746,233	816,548
Loss before other items		**(664,799)**	**(723,424)**
Other income	18	17,056	-
Interest expense, net of interest income of $982		(185,075)	(233,805)
Gain on disposal of capital assets		3,283	-
Loss on settlement of debt, including redemption expenses of $55,592		(175,722)	-
		(340,458)	(233,805)
Net loss		**(1,005,257)**	**(957,229)**
Other comprehensive loss items			
Net change in fair value of available-for-sale financial assets		-	(18,573)
Net change in foreign exchange translation		(3,690)	2,690
Net change In fair value of financial assets at fair value through other comprehensive income		450	-
		(3,240)	(15,883)
Comprehensive loss		**(1,008,497)**	**(973,112)**
Basic and diluted comprehensive loss per share		**(0.03)**	**(0.06)**
Weighted-average number of common shares outstanding		30,721,385	17,242,127

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

DIAGNOS Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(amounts in Canadian dollars)

Three month period ended June 30, 2019

	Note	Share capital	Reserve	Deficit	Investments revaluation reserve	Foreign exchange differences	Total shareholders' deficiency
					$		
Balance, beginning of period		**23,698,314**	**8,169,228**	**(36,950,068)**	**(53,532)**	**53,459**	**(5,082,599)**
Net loss		-	-	(1,005,257)	-	-	(1,005,257)
Other comprehensive loss items		-	-	-	450	(3,690)	(3,240)
Issuance of common shares	14	6,061,758	-	-	-	-	6,061,758
Issuance of warrants	10	-	21,938	-	-	-	21,938
Issue expenses	14,15	(15,050)	(700)	-	-	-	(15,750)
Stock-based compensation expense	15	-	19,626	-	-	-	19,626
Balance, end of period		**29,745,022**	**8,210,092**	**(37,955,325)**	**(53,082)**	**49,769**	**(3,524)**

Three month period ended June 30, 2018

	Note	Share capital	Reserve	Deficit	Investments revaluation reserve	Foreign exchange differences	Total shareholders' deficiency
					$		
Balance, beginning of period		**21,881,166**	**7,532,632**	**(33,111,012)**	**(24,573)**	**85,102**	**(3,636,685)**
Net loss		-	-	(957,229)	-	-	(957,229)
Other comprehensive loss items		-	-	-	(18,573)	2,690	(15,883)
Issue expenses		(2,100)	-	-	-	-	(2,100)
Stock-based compensation expense	15	-	40,000	-	-	-	40,000
Balance, end of period		**21,879,066**	**7,572,632**	**(34,068,241)**	**(43,146)**	**87,792**	**(4,571,897)**

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

DIAGNOS Inc.

Interim Condensed Consolidated Statements of Cash Flows

(amounts in Canadian dollars)

	Note	Three month period ended June 30, 2019	2018
		$	
Cash flows from operating activities			
Net loss		(1,005,257)	(957,229)
Items not affecting cash			
Depreciation of capital assets		40,721	62,606
Amortization of intangible assets		-	400
Accretion on leases	13	1,237	1,340
Accretion on convertible notes	11	10,383	20,765
Accretion on convertible debentures	12	78,471	78,976
Interest on short-term investments	6	(249)	(278)
Loss on disposal of capital assets		(3,283)	-
Loss on settlement of debt, net of redemption expenses of $55,592	9,11,12	120,130	-
Compounded interest		-	4,208
Stock-based compensation expense	15	19,626	40,000
		(738,221)	(749,212)
Payment of interest		(15,000)	218,750
Net change in operating working capital items		120,947	385,673
		(632,274)	**(144,789)**
Cash flows from investing activities			
Proceeds from disposal of short-term investments	6	504,776	-
Proceeds from disposal of investments		10,450	423,584
Additions to capital assets		(12,872)	-
Proceeds from disposal of capital assets		3,283	-
Other		(3,690)	2,690
		501,947	**426,274**
Cash flows from financing activities			
Issue expenses	14	(15,050)	(2,100)
Issuance of short-term loan and warrants, net of issue expenses	10,15	49,300	-
Leases	13	47,063	-
Lease payments	13	(57,915)	(6,621)
Payment of interest		15,000	(218,750)
		38,398	**(227,471)**
Net change in cash		**(91,929)**	**54,014**
Cash, beginning of period		138,242	150,291
Cash, end of period		**46,313**	**204,305**
Non-cash transactions			
Payment of interests in shares	9,11,12,14	501,915	-
Redemption in shares of convertible notes	11,14	789,286	-
Redemption in shares of convertible debentures	12,14	4,770,557	-
Value of warrants	10,15	21,938	-

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

(amounts in Canadian dollars)

1. Going concern assumption

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

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. The material uncertainty cast significant doubt regarding the ability to continue as a going concern.

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

2. Statutes of incorporation and nature of activities

DIAGNOS Inc. ("the Corporation") is incorporated under the Canada Business Corporations Act and the subsidiaries under the applicable regulations in their respective countries. The main office is located at 7005 Taschereau Blvd., Suite 340, Brossard, Quebec, Canada. The shares of the Corporation are listed on the TSX Venture Exchange.

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

These interim condensed consolidated financial statements have been approved and authorized for issue by the Board of Directors of the Corporation on August 28, 2019.

3. Basis of consolidation, statement of compliance with IFRS and summary of accounting policies

Basis of presentation
Unchanged from the last reporting period, these interim condensed consolidated financial statements include the accounts of the Corporation and those of its subsidiaries. Subsidiaries consist of entities over which the Corporation has right, or is exposed, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries' financial statements are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries' year end and accounting policies are aligned with those adopted by the Corporation.

Percentage of interest in the Corporation's subsidiaries and associates, as at June 30, 2019, are as follows:

Name of entity	Location of entity	Type of entity	Percentage of ownership
Diagnos Poland sp. Z o.o.	Poland	Subsidiary	100%
Diagnos Internacional SA de CV	Mexico	Subsidiary	99.8%
Diagnos Healthcare (India) Private Limited	India	Subsidiary	99.74%
SARL Diagnos Medical	Algeria	Associate	48%

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

Investment in associate is accounted for using the equity method. The carrying amount of the investment in associate is increased or decreased to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Corporation. Unrealized gains and losses on transactions between the Corporation and its associate are eliminated to the extent of the Corporation's interest in the entity. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

Summary of accounting policies
These interim condensed consolidated financial statements were prepared in accordance with standard IAS 34 – Interim Financial Reporting and do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They, however, include specific complimentary notes in order to provide information necessary to assess the financial situation of the Corporation at period end since its last annual consolidated financial statements dated March 31, 2019.

The accounting policies used to prepare these interim condensed consolidated financial statements are those described in the last annual consolidated financial statements of the Corporation and have been applied throughout the period unless otherwise stated.

4. Critical accounting judgments and key sources of estimation uncertainty

In preparing these interim condensed consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

5. Significant events and transactions

On April 24, 2019, the common shares of the Corporation began trading on a one for ten post-consolidation basis. As such, the number of outstanding common shares was divided by ten and the price of the common shares was multiplied by ten. Refer to note 14 for more details.

On May 15, 2019, the Corporation proceeded with the redemption of the outstanding convertible debentures and part of the outstanding notes in the aggregate principal amount of $5,790,000, plus unpaid and accrued interest owing, for an aggregate amount of $6,528,047, and in payment thereof, 18,651,547 common shares of the Corporation were issued at the deemed price of $0.35 per share. Refer to notes 11, 12 and 14 for more details.

On June 19, 2019, the Corporation entered into three unsecured non-convertible loan agreements for an aggregate nominal value of $250,000. As at June 30, 2019 only the proceeds from one loan in the amount of $50,000 were received. Refer to note 10 for more details.

6. Short-term investments

	As at June 30, 2019	As at March 31, 2019
	$	
Guaranteed investment certificates, bearing interest between 1.20% and 2.20% (March 31, 2019 - same) and maturing between January 13, 2020 and January 22, 2020 (March 31, 2019 - November 30, 2019 and January 22, 2020)	51,185	555,712

Guaranteed investment certificates, other than guaranteed investment certificates pledged as security, are cashable without any penalties and therefore are presented as "current" in the statement of financial position. Guaranteed investment certificates in the aggregate amount of $50,000 (March 31, 2019 - same) are pledged as security for an account payable of $22,626 (March 31, 2019 - $26,451).

The following table presents a reconciliation of changes in short-term investments for the three-month period ended June 30, 2019:

	Three-month period ended June 30, 2019
	$
Balance, beginning of period	**555,712**
Disposals	(504,776)
Interest earned	249
Balance, end of period	**51,185**

7. Accounts receivable

	As at June 30, 2019	As at March 31, 2019
	$	
Customers	94,775	41,648
Tax credits on research and development expenses	165,559	135,559
Government grant	46,663	46,663
Demand loan bearing annual interest rate of 4% (note 19)	44,324	44,809
Sales commissions advance, no interest bearing (note 19)	20,841	20,841
Advance bearing annual interest rate of 4%	-	70,000
Sales taxes	3,343	25,396
Deposits	1,425	1,350
Others	(21,734)	4,271
	355,196	390,537

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

8. Investments

	Number of companies	As at June 30, 2019	As at March 31, 2019
		$	
Shares of publicly traded companies	1 (March 31, 2019 - 2)	-	10,000
Shares of private companies	3 (March 31, 2019 - 3)	-	-
Shares of associates	1 (March 31, 2019 - 1)	-	-
		-	10,000

Investments in publicly traded companies and private companies over which the Corporation does not exercise significant influence are classified as financial assets at fair value through other comprehensive income. The decrease of $10,000, for the three-month period ended June 30, 2019, is explained by the disposal of all of the shares of one publicly traded company.

As at June 30, 2019, Shares of associates include 48 common shares, or 48% (March 31, 2019 – same), of SARL Diagnos Medical, an Algerian corporation. SARL Diagnos Medical is currently inactive.

9. Accounts payable and accrued liabilities

	As at June 30, 2019	As at March 31, 2019
	$	
Accounts payable and accrued liabilities	230,871	143,413
Interests accrued and payable	3,114	462,672
Salaries and benefits	100,913	112,592
Sales and withholding taxes	9,495	48,163
	344,393	766,840

The following table presents a reconciliation of changes in interests accrued and payable for the three-month period ended June 30, 2019:

	Three-month period ended June 30, 2019
	$
Balance, beginning of period	**462,672**
Convertible notes and debentures	95,966
Interests paid on convertible notes	(15,000)
Redemption through the issuance of common shares	(501,915)
Gain on settlement of debt	(38,609)
Balance, end of period	**3,114**

10. Loans

	As at	
	June 30, 2019	March 31, 2019
	$	
Unsecured non-convertible loans	28,062	-

During the quarter ended June 30, 2019, the Corporation entered into three unsecured non-convertible loan agreements ("2020-Q1 Loans") for an aggregate nominal value of $250,000. As at June 30, 2019 only the proceeds from one loan in the amount of $50,000 were received. The proceeds from the remaining two loans in the aggregate amount of $200,000 were received in July 2019. The 2020-Q1 Loans bear interest at an annual rate of 6% and mature on December 17, 2019. As part of the 2020-Q1 Loans, the Corporation has granted a total of 250,000 bonus stock warrants entitling the lenders to purchase 250,000 shares of the Corporation at a price of $0.35 per share for a period of twelve months. The fair value of the stock warrants has been established at $0.088 per warrant, or $21,938 in aggregate, using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life:	1 year	Risk-free interest rate:	1.87%
Liquidity discount:	25%	Volatility:	90.05%

11. Convertible notes

		As at	
		June 30, 2019	March 31, 2019
	Number	$	
Unsecured convertible promissory notes	3 (March 31, 2019 - 20)	150,000	1,000,000
Fair value discount		(14,284)	(115,259)
Issue expenses		(629)	(4,195)
		135,087	880,546

During the quarter ended June 30, 2019, the Corporation redeemed part of the outstanding notes in the aggregate principal amount of $850,000, plus unpaid and accrued interest owing of $50,320, for an aggregate amount of $900,320, and in payment thereof, 2,572,342 common shares of the Corporation were issued at the deemed price of $0.35 per share.

The following table presents a reconciliation of changes in convertible notes for the three-month period ended June 30, 2019:

	Three-month period ended June 30, 2019
	$
Balance, beginning of period	**880,546**
Accretion	10,383
Redemption through the issuance of common shares	(789,286)
Loss on settlement of debt	33,444
Balance, end of period	**135,087**

12. Convertible debentures

	As at	
	June 30, 2019	March 31, 2019
	$	
Convertible debentures	-	4,940,000
Fair value discount	-	(395,902)
Compounded interest expense	-	197,523
Issue expenses	-	(174,830)
	-	4,566,791
Convertible debentures - short term	-	1,670,240
Convertible debentures - long term	-	2,896,551

During the quarter ended June 30, 2019, the Corporation redeemed the outstanding convertible debentures in the aggregate principal amount of $4,940,000, plus unpaid and accrued interest owing of $687,727, for an aggregate amount of $5,627,727, and in payment thereof, 16,079,205 common shares of the Corporation were issued at the deemed price of $0.35 per share.

As at March 31, 2019, interests on secured convertible debentures amounting to $247,000 were in default of payment. However, the default was lifted on May 15, 2019 when the Corporation redeemed the outstanding convertible debentures.

The following table presents a reconciliation of changes in convertible debentures for the three-month period ended June 30, 2019:

	Three-month period ended June 30, 2019
	$
Balance, beginning of period	**4,566,791**
Accretion	78,471
Redemption through the issuance of common shares	(4,770,557)
Loss on settlement of debt	125,295
Balance, end of period	**-**

13. Leases

	As at	
	June 30, 2019	March 31, 2019
	$	
Finance leases	63,121	73,443
Lease fair value discount	(1,340)	(2,047)
	61,781	71,396
Finance leases - short term	40,056	39,349
Finance leases - long term	21,725	32,047

Unchanged from the last reporting period, finance leases relate to computer equipment mainly used to render services and for software development.

14. Share capital

Share capital is composed of common shares without par value of which 39,944,677 are issued and outstanding as at June 30, 2019. All the common shares have identical rights with respect to the distribution of dividends and the repayment of capital. Each share confers the right to one vote at the annual general meeting of shareholders. The Corporation is authorized to issue an unlimited number of common shares.

Share consolidation

On April 24, 2019, the common shares of the Corporation began trading on a one for ten post-consolidation basis. As such, the number of outstanding common shares was divided by ten and the price of the common shares was multiplied by ten.

The following table presents the changes to share capital which have occurred during the three-month period ended June 30, 2019:

	Number of common shares	$
Balance, beginning of period	**212,931,265**	**23,698,314**
Share consolidation	(191,638,136)	-
Payment of interests in shares (note 9)	2,108,690	501,915
Redemption of convertible notes (note 11)	2,428,571	789,286
Redemption of convertible debentures (note 12)	14,114,286	4,770,557
Issue expenses	-	(15,050)
Balance, end of period	**39,944,677**	**29,745,022**

Stock option plan

The Corporation maintains a stock option plan for its directors, key employees and consultants. Stock option grants vest at 50% per year, commencing with the first anniversary of the grant and can be exercised over five years. The conditions of exercise are determined by the Board of Directors in accordance with the policies of the TSX Venture Exchange. The stock options are granted at, or above, the share price at the close of market on the day preceding the date of grant.

The maximum number of stock options which the Corporation is authorized to issue is 2,000,000. As at June 30, 2019, the outstanding number of stock options available for issuance was 162,641.

The following table presents the changes which have occurred for the comparative three-month period ended June 30, 2019, with respect to stock options:

	Three-month period ended June 30, 2019	
	Number of stock options	Weighted-average exercise price ($)
Outstanding, beginning of period	**16,352,684**	**0.09**
Share consolidation	(14,717,416)	0.81
Forfeited	(110,000)	0.97
Outstanding, end of period	**1,525,268**	**0.86**

15. Reserve

	Three-month period ended June 30, 2019			
	Stock warrants	Conversion options	Stock options	Total
	$			
Balance, beginning of period	**4,203,995**	**1,227,456**	**2,737,777**	**8,169,228**
Loans	21,938	-	-	21,938
Issue expenses	(700)	-	-	(700)
Stock-based compensation	-	-	19,626	19,626
Balance, end of period	**4,225,233**	**1,227,456**	**2,757,403**	**8,210,092**

	Three-month period ended June 30, 2018			
	Stock warrants	Conversion options	Stock options	Total
	$			
Balance, beginning of period	**3,951,170**	**1,067,893**	**2,513,569**	**7,532,632**
Stock-based compensation	-	-	40,000	40,000
Balance, end of period	**3,951,170**	**1,067,893**	**2,553,569**	**7,572,632**

Stock warrants

During the quarter ended June 30, 2019, in connection with the financing described in note 10 above for the same period, the Corporation issued 250,000 stock warrants entitling the holders to purchase 250,000 common shares (each a "Share") of the Corporation at a price of $0.35 per Share for a period of twelve months. The fair value of the warrants has been established at $21,938 as described in note 10.

16. Financial instruments and risk management

Financial instruments

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

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

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

The following tables present fair value hierarchy described above:

	Level 1	Level 2	Level 3	As at June 30, 2019 Total financial assets at fair value
			$	
Financial assets				
Short-term investments	51,185	-	-	51,185
Total financial assets	51,185	-	-	51,185

	Level 1	Level 2	Level 3	Total financial liabilities
			$	
Financial liabilities				
Convertible notes	-	135,087	-	135,087
Total financial liabilities	-	135,087	-	135,087

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

	Level 1	Level 2	Level 3	As at March 31, 2019 Total financial assets at fair value
			$	
Financial assets				
Short-term investments	555,712	-	-	555,712
Investments – shares	10,000	-	-	10,000
Total financial assets	565,712	-	-	565,712

	Level 1	Level 2	Level 3	Total financial liabilities
			$	
Financial liabilities				
Convertible notes	-	880,546	-	880,546
Convertible debentures	-	4,566,791	-	4,566,791
Total financial liabilities	-	5,447,337	-	5,447,337

The Corporation has determined that the fair value of its current financial assets and liabilities measured at amortized cost approximate their carrying amounts as at the balance sheet dates because of their short-term maturity.

The fair value of short-term investments and investments was based on quoted prices in active markets.

The fair value of convertible notes and convertible debentures was estimated by discounting expected cash flows at rates offered to the Corporation for debts of the same remaining maturities and conditions.

Non-financial instruments

The fair value of leases was $61,781 as at June 30, 2019 (March 31, 2019 - $71,396) and estimated by discounting expected cash flows at rates currently offered to the Corporation for debts of the same remaining maturities and conditions.

Risks

The Corporation is exposed to certain risks which could have a material impact on its ability to achieve its strategic growth objectives. The Corporation strives to control and mitigate its business and financial risks through management practices that require the ongoing evaluation, identification and implementation of risk mitigating measures that help reduce or eliminate risks related to its business operations.

The following describes the Corporation’s main financial risks:

i. Credit Risks

In the normal course of business, the Corporation's exposure to credit risk results from the possibility that a customer or financial institution may default, in part or in whole, on their financial obligations, as they come due.

Cash and short-term investments

Unchanged from the last reporting period, management considers the credit risk related to cash and short-term investments to be low as at June 30, 2019.

Customers and demand loan

Unchanged from the last reporting period, despite the concentration of its customers, management is reasonably assured that its receivables will be collected, and therefore considers the credit risk related to accounts receivable to be low as at June 30, 2019.

ii. Liquidity Risks

Liquidity risk is the risk that the Corporation cannot meet its obligations as they come due. Unchanged from the last reporting period, the Corporation's exposure to liquidity risk as at June 30, 2019 is high and is dependent on the Corporation's ability in securing additional financing and achieving and maintaining profitable operations. Refer to going concern assumptions in note 1.

iii. Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Corporation’s cash flows, financial position and income. Interest rate changes directly impact the fair value of the fixed interest rate accounts of the financial statements.

The Corporation is not exposed to interest risk since its financial instruments bear interest at fixed rate and are presented at amortized cost.

iv. Exchange Rate Fluctuations Risk

Exchange rate fluctuations risk refers to the adverse consequences of exchange rate changes on the Corporation’s cash flows, financial position and income. Unchanged from the last reporting period, management considers the exchange rate fluctuations risk to be low as at June 30, 2019.

17. Segment information

The Corporation is active in one reportable segment, healthcare services. It provides image analysis services through CARA (Computer Assisted Retinal Analysis), a software tool which assists health specialists in the detection of diabetic retinopathy.

Revenue by country:

	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018
	$	$
Canada	31,337	73,840
United States of America	23,571	10,715
Bangladesh	13,048	-
United Arab Emirates	12,019	6,140
Saudi Arabia	1,459	2,479
Others	-	(50)
	81,434	93,124

52% of revenues from Canada, for the three-month period ended June 30, 2019, were attributable to data interpretation consulting services rendered to one company active in the mining sector (June 30, 2018 - 100%). As this line of business is not strategic to the development of the Corporation, revenue amounts from consulting services are not presented separately from healthcare services.

18. Other income

Government grants

The Corporation received the support of the Quebec government through the Créativité Québec program, administered by Investissement Québec (IQ), to presents a technological showcase at the Centre Hospitalier de l'Université de Montréal (CHUM). The government grant could reach $159,335 depending on the expenses incurred until the end of the project scheduled through August 31, 2019.

During the three-month period ended June 30, 2019, when the terms attached to the grant were complied with, the grant in the amount of $24,616 was recognized in these interim condensed consolidated financial statement as follows: $17,056 in “Other income” and $7,560 by deducting the grant in arriving at the carrying amount of the asset.

19. Related party transactions

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

The following table presents the transactions with key management personnel during the three-month period ended June 30, 2019 and June 30, 2018:

	Three-month period ended June 30	
	2019	**2018**
	$	
Base salary	130,000	122,500
Stock-based compensation	13,326	35,016
Incentives	10,000	25,000
Interest on demand loan	485	485
Payment of interest on demand loan	(485)	(485)
	153,326	182,516

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

	As at	
	June 30, 2019	**March 31, 2019**
	$	
Demand loan receivable, annual interest rate of 4%	44,324	44,809
Cash advance, no interest	20,841	20,841
Convertible debentures, annual nominal interest rate of 10%	-	(30,000)
Convertible notes, annual nominal interest rate of 10%	-	(500,000)

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

Transfer Agents and Registrar
Computershare Trust Company of Canada

Auditor
Raymond Chabot Grant Thornton LLP