

Q1-2012

Condensed financial statements

Interim period ended June 30, 2011

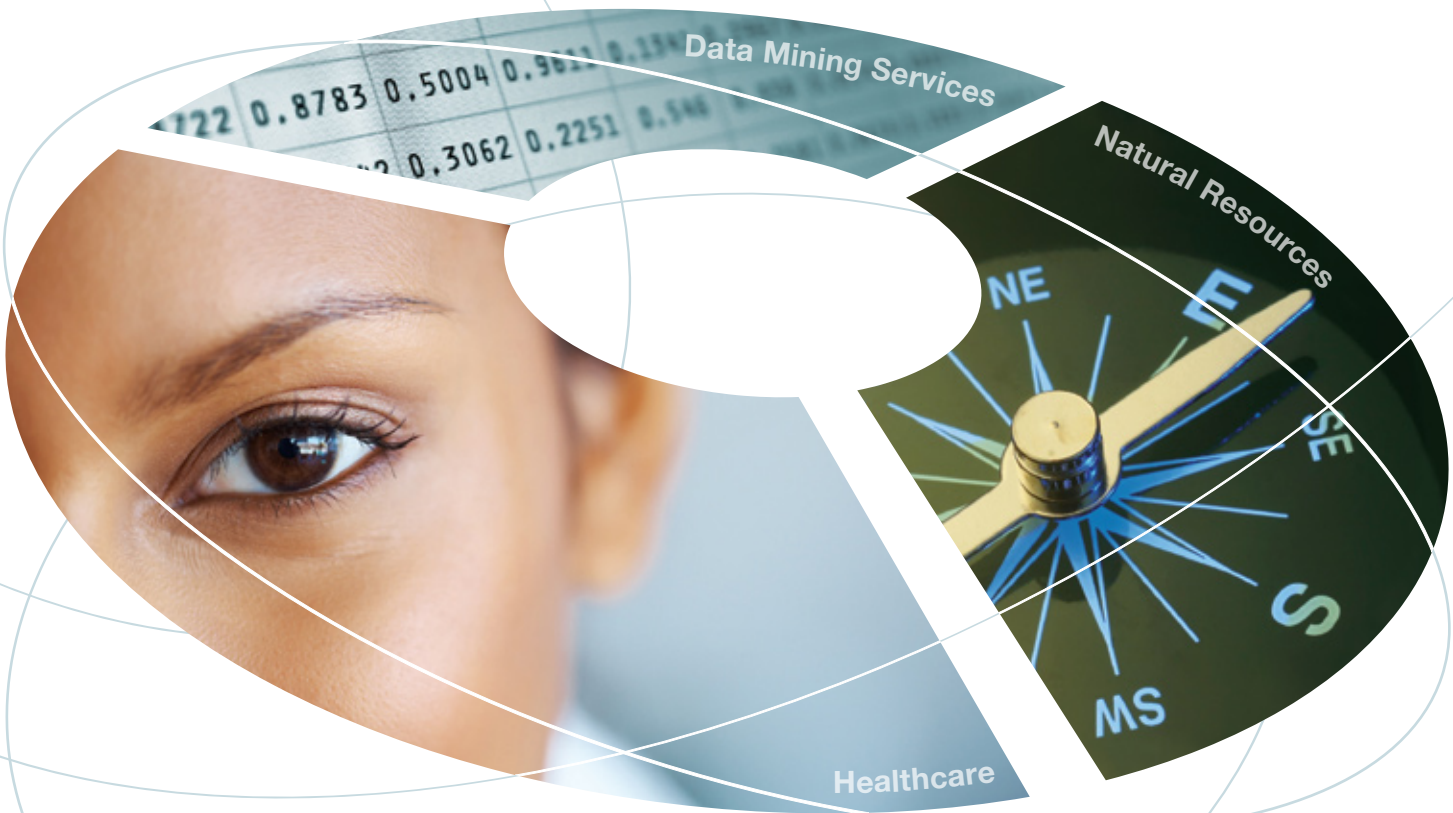


Table of contents

MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING	3
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	4
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME	5
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	6
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	8
GENERAL INFORMATION.....	23

Management's Responsibility for Interim Financial Reporting

Management is responsible for the preparation of the consolidated financial statements and other financial information relating to the Corporation. These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and necessarily include amounts based on estimates and judgments.

Our independent auditor, Samson Bélair / Deloitte & Touche, s.e.n.c.r.l., has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The Board of Directors has approved these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements comply with the requirements of IAS (International Accounting Standard) 34 – Interim Financial Reporting.



André Larente
President & CEO
September 20, 2011



Marc-André Massue, CA
Vice-President Finance & CFO
September 20, 2011

Interim Condensed Consolidated Statements of Financial Position

	Note	As at		
		June 30, 2011	March 31, 2011 (unaudited)	April 1, 2010
		\$		
ASSETS				
Current assets				
Cash		265,932	347,250	256,313
Temporary investments	4	2,758,714	455,229	1,286,766
Amounts receivable	5	395,335	380,765	251,839
Prepaid expenses		48,852	19,142	25,027
Inventories	6	73,670	-	-
		<u>3,542,503</u>	<u>1,202,386</u>	<u>1,819,945</u>
Non-current assets				
Investments	7	145,003	200,587	348,182
Capital assets		72,158	85,247	61,859
Intangible assets		27,802	25,548	43,705
		<u>244,963</u>	<u>311,382</u>	<u>453,746</u>
Total assets		<u>3,787,466</u>	<u>1,513,768</u>	<u>2,273,691</u>
LIABILITIES				
Current liabilities				
Amounts payable	8	206,884	249,055	203,855
Deferred revenue		45,034	82,534	87,984
		<u>251,918</u>	<u>331,589</u>	<u>291,839</u>
SHAREHOLDERS' EQUITY				
Share capital	9	15,123,605	12,640,362	12,446,792
Contributed surplus		4,151,105	3,502,592	3,222,906
Deficit		(15,859,996)	(15,137,192)	(13,829,738)
Investments revaluation reserve		120,834	176,417	141,892
		<u>3,535,548</u>	<u>1,182,179</u>	<u>1,981,852</u>
Total liabilities and shareholders' equity		<u>3,787,466</u>	<u>1,513,768</u>	<u>2,273,691</u>

See accompanying notes to the interim condensed consolidated financial statements

Approved by the Board:



Philip Renaud
Chairman



Olivier Lerolle
Director

Interim Condensed Consolidated Statements of Earnings and Comprehensive Income

	For the quarter ended June 30,	
	2011	2010
	(unaudited)	
	\$	
Revenue	131,594	135,300
Cost of goods sold	9,506	-
Gross profit	122,088	135,300
Expenses		
General, sales and administrative	628,789	460,647
Research and development	179,099	146,535
Tax credits on research and development expenses	(44,550)	(24,750)
Geology	57,575	40,537
Amortization of capital assets	16,788	16,858
Amortization of intangible assets	7,633	15,008
	845,334	654,835
Loss before other income	(723,246)	(519,535)
Interest income	442	1,210
Net loss	(722,804)	(518,325)
Other comprehensive income (loss)		
Net (loss) gain arising from the revaluation of investments	(55,583)	21,115
Comprehensive loss	(778,387)	(497,210)
Basic and diluted comprehensive loss per share	(0.01)	(0.01)
Weighted average number of common shares outstanding	56,684,403	52,109,371

See accompanying notes to the interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Changes in Equity

For the quarter ended June 30, 2011

	Share capital	Contributed surplus	Deficit	Investments revaluation reserve	Total equity
	(unaudited)				
	\$				
Balance, beginning of period	12,640,362	3,502,592	(15,137,192)	176,417	1,182,179
Net loss	-	-	(722,804)	-	(722,804)
Other comprehensive loss	-	-	-	(55,583)	(55,583)
Issuance of shares and warrants	2,549,405	666,795	-	-	3,216,200
Issue expenses	(108,957)	(56,443)	-	-	(165,400)
Exercise of stock options	25,334	-	-	-	25,334
Accumulated compensation expenses on stock options exercised	17,461	(17,461)	-	-	-
Stock-based compensation expense	-	55,622	-	-	39,213
Balance, end of period	15,123,605	4,151,105	(15,859,996)	120,834	3,535,548

For the quarter ended June 30, 2010

	Share capital	Contributed surplus	Deficit	Investments revaluation reserve	Total equity
	(unaudited)				
	\$				
Balance, beginning of period	12,446,792	3,222,906	(13,829,738)	141,892	1,981,852
Net loss	-	-	(518,325)	-	(518,325)
Other comprehensive loss	-	-	-	21,115	21,115
Exercise of stock options	110,100	-	-	-	110,100
Stock-based compensation expense	-	88,707	-	-	88,707
Balance, end of period	12,556,892	3,311,613	(14,348,063)	163,007	1,683,449

See accompanying notes to the interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Cash Flows

	For the quarter ended June 30,	
	2011	2010
	(unaudited)	
	\$	
Cash flows from operating activities		
Net loss	(722,804)	(518,325)
Items not affecting cash		
Amortization of capital assets	16,788	16,858
Amortization of intangible assets	7,633	15,008
Stock-based compensation expense	55,622	88,707
Revaluation of temporary investments	(3,707)	-
	(646,468)	(397,752)
Net change in non-cash operating working capital items	(197,621)	(3,786)
	(844,089)	(401,538)
Cash flows from investing activities		
Additions to temporary investments	(2,549,778)	-
Proceeds from disposals of temporary investments	250,000	248,900
Additions to capital assets	(3,699)	(48,000)
Additions to intangible assets	(9,887)	(17,560)
	(2,313,364)	183,340
Cash flows from financing activities		
Issuance of shares and warrants, net of issue expenses	3,076,135	110,100
Net change in cash	(81,318)	(108,098)
Cash, beginning of period	347,250	256,313
Cash, end of period	265,932	148,215

See accompanying notes to the interim condensed consolidated financial statements

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

As at June 30, 2011

1. Statutes of incorporation and nature of activities

The Corporation is listed on the TSX Venture Exchange and incorporated under the Canada Corporation Business Act. The main office is located at 7005 Taschereau Blvd., suite 340, Brossard, Quebec, Canada. The Corporation provides data mining and interpretation services based on its proprietary suite of data mining software capable of extracting knowledge from historical data. The current main applications are used:

- to predict economical mining deposits;
- to assist health specialists in the detection of diabetic retinopathy; and
- to predict if a song has the potential to become a commercial hit.

Going concern

The interim condensed consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Corporation has not realized annual profit from operations since its inception and there can be no assurance that it will achieve and maintain profitability in the future.

Through issuances of shares and stock warrants, the Corporation has been able to finance its activities and operate on a continuous basis.

The Corporation's ability to continue as a going concern is dependent on financing and on achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. These interim condensed consolidated financial statements do not include any adjustments and reclassifications of assets and liabilities which might be necessary should the Corporation be unable to continue its operations.

2. Summary of significant accounting policies

These interim condensed consolidated financial statements include the accounts of the Corporation and those of its wholly-owned subsidiary, DMS & Technologies Inc., prepared using the significant accounting policies described in this note. These policies have been applied throughout the period unless otherwise stated.

For all periods up to and including the year ended March 31, 2011, the consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Standards (CGAAP). The unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2011 are the first prepared in accordance to International Financial Reporting Standards (IFRS) which comprise International Accounting Standards (IAS).

a) General

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34. The Corporation's accounting policies and the financial information presented are consistent with the recommendations of the IASB (International Accounting Standards Board). Except for available-for-sale assets, financial assets and liabilities at fair value through profit and loss, the interim condensed consolidated financial statements have been prepared and measured at historical cost.

b) Revenue recognition

Revenue represents amounts received and receivable from third parties for goods supplied to customers and for services rendered, except for allowances and discounts.

Data mining and project management services generally involve the delivery of services and products. Revenue derived from services is recognized over the period in which the services are rendered, when collection is reasonably assured. Revenue derived from products is recognized upon delivery to the customer. Any unbilled services rendered are presented under "Work in progress" on the consolidated statements of financial position. Any amount invoiced before the delivery of services or goods is presented under "Deferred revenue" on the consolidated statements of financial position.

Revenue from the sale of options on mineral exploration claims is recognized upon transfer of rights to the customer. Any amount invoiced which does not meet the revenue recognition conditions related to this type of sale is presented under "Deferred revenue" on the consolidated statements of financial position.

Gain or loss from the sale of mineral claims is recognized when the title of ownership is transferred to the customer. Any amount invoiced which does not meet the revenue recognition conditions related to this type of sale is presented under “Deferred revenue” on the consolidated statements of financial position.

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

In any situation, when the anticipated costs of a contract are more likely than not to exceed the total revenue from the contract, then a provision for the anticipated loss is recognized in the period in which it occurs.

Revenue recognition requires making significant estimates when revenue is recognized over a period of time or when the arrangement includes multiple deliverables. For revenue recognized over a period of time, management makes estimates concerning the projected costs, the projected profit margin and the percentage of completion. When the arrangement includes multiple deliverables, management makes estimates concerning the fair value of each element based on the characteristics of each arrangement and the market conditions. Estimates are regularly reviewed and revised by the management to ensure their accuracy.

c) Interest income

Interest income is accounted for on an accrual basis using the effective interest method.

d) Investment tax credits

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

e) Inventories

Inventories are stated at the lower of cost and net realizable value, with cost being determined using the first in, first out method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase include the purchase price, import duties and non-recoverable taxes, and transport, handling and other costs directly attributable to the acquisition of finished goods, materials or services.

f) Capital assets and amortization

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

Amortization of capital assets is provided on parts that have homogenous lives by using the straight-line method so as to depreciate the initial cost down to the residual value over the estimated useful lives, as follows:

	<u>Annual rates</u>
Office furniture and equipments	20%
Computer equipments	50%
Leasehold improvements	Lesser of the lease term and the useful life

g) Intangible assets and amortization

- i. Mining assets, consisting of mineral claims, are amortized using the straight-line method over their useful life of two years.
- ii. Software is amortized using the straight-line method over the estimated useful life of two years.

h) Impairment of long-lived assets

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

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

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

i) Income taxes

The Corporation uses the liability method of accounting for income tax. Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantially enacted income tax rates expected to be in effect for the period in which the differences are expected to reverse. The Corporation establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all the future income tax assets will not be realized.

j) Research and development expenses

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

k) Loss per share

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

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

l) Stock-based compensation

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

m) Equity

Share capital is recorded at the subscribed value of the shares issued. Costs related to the issuance of shares, share warrants or share options are recorded in equity, net of tax, as a deduction of the issuance proceeds.

Contributed surplus is comprised of stock-based compensation and issuance of stock warrants less accumulated stock-based compensation on exercise of stock options.

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

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

n) Financial Instruments

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

- Cash and temporary investments are classified as financial assets at Fair Value Through Profit and Loss (“FVTPL”) and are measured at fair value. Gains and losses from periodic revaluation are recognized through profit and loss;
- Amounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method;
- Investments are classified as available for sale and are measured at fair value. Changes in fair value are recognized in other comprehensive income (loss). In the case where the fair value cannot be determined, investments are measured and presented at cost. Investments in the form of securities from payment of trade receivables are measured at the receivable amount. Any difference between the receivable amount, at settlement date, and the fair value of the shares received is recognized in the statement of earnings (loss). Securities of privately-held companies are initially measured at cost and then valued at \$1 due to the fact that the appraisal of these shares is not possible with available information;
- Amounts payable are classified as other liabilities and are measured at amortized cost using the effective interest rate method; and,
- Transaction costs related to FVTPL financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

o) Leases

Leases for which the risks and rewards are retained by the lessor are considered operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Corporation’s significant accounting policies, which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

a) Revenue recognition

Revenue derived from services is recognized over the period in which the services are rendered, when collection is reasonably assured. Management has to make a critical judgment regarding the period in which the services will be rendered and assumptions as to client’s acceptance. Estimates used to determine revenues involve uncertainties that ultimately depend on the outcome of future events and are periodically revised as projects progress.

b) Stock-based compensation

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

c) Tax credits on research and development expenses

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

4. Temporary investments

	As at		
	June 30, 2011	March 31, 2011	April 1, 2010
	\$		
Tradable guaranteed investment certificates bearing interests at 1.15% to 3.10% (March 31, 2011 - 2.11% and 3.10%)	2,677,221	251,864	-
Guaranteed investment certificates, bearing interests at 0.15% (March 31, 2011 – 0.15%, April 1, 2010 – 1.25% and 1.32%) and maturing from November 30, 2011 to December 7, 2011 (March 31, 2011 – from November 30, 2011 to December 7, 2011. April 1, 2010 - from November 16, 2010 to December 7, 2010)	81,493	81,462	1,286,625
Preferred shares	-	121,903	-
Money market funds	-	-	141
	<u>2,758,714</u>	<u>455,229</u>	<u>1,286,766</u>

Guaranteed investment certificates totaling \$81,493 (March 31, 2011 - \$81,462) are pledged as security for financial liabilities.

5. Amounts receivable

	As at		
	June 30, 2011	March 31, 2011	April 1, 2010
	\$		
Customers	122,275	193,290	121,035
Tax credits on research and development expenses	231,250	186,700	193,339
Sales taxes	41,035	-	13,040
Other	775	775	930
Allowance for doubtful accounts	-	-	(76,505)
	<u>395,335</u>	<u>380,765</u>	<u>251,839</u>

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

6. Inventories

The following table discloses the carrying amount of inventories by classification:

	As at		
	June 30, 2011	March 31, 2011	April 1, 2010
	\$		
Fundus cameras	<u>73,670</u>	<u>-</u>	<u>-</u>

7. Investments

		As at		
		June 30, 2011	March 31, 2011	April 1, 2010
		\$		
241,667	shares of publicly traded companies (March 31, 2011 – 241,667, April 1, 2010 – 1,691,079)	145,000	200,584	348,179
2,084,472	shares of private companies (March 31, 2011 & April 1, 2010 – 2,084,472)	3	3	3
<u>2,326,139</u>		<u>145,003</u>	<u>200,587</u>	<u>348,182</u>

The Corporation does not hold enough shares to have a significant influence over these companies.

8. Amounts payable

		As at		
		June 30, 2011	March 31, 2011	April 1, 2010
		\$		
Accounts payable and accrued liabilities		31,908	86,388	85,946
Salaries and benefits		139,658	131,824	117,909
Sales taxes		<u>35,318</u>	<u>30,843</u>	-
		<u>206,884</u>	<u>249,055</u>	<u>203,855</u>

9. Share capital

Share capital is comprised solely of common shares without par value of which 63,560,356 (March 31, 2011 - 52,343,343, April 1, 2010 – 51,857,510) are subscribed and issued. All the shares have the same rights in respect of the distribution of dividends and the repayment of capital. Each share confers the right to one vote at the annual general meeting. The Corporation is authorized to issue an unlimited number of common shares.

On May 26, 2011, as part of a private placement, the Corporation issued 11,090,345 common shares and 5,745,173 stock warrants for a cash consideration of \$3,216,200.

The issued share capital varied as follows:

		For the quarter ended June 30, 2011	
		Number of common shares	Common shares (\$)
Balance, beginning of period		52,343,343	12,640,362
Private placement		11,090,345	2,549,405
Issue expenses		-	(108,957)
Exercise of stock options		126,668	25,334
Accumulated compensation expenses on options exercised		-	17,461
Balance, end of period		63,560,356	15,123,605

For the quarter ended June 30, 2010

	Number of common shares	Common shares (\$)
Balance, beginning of period	51,857,510	12,446,792
Exercise of stock options	422,500	110,100
Balance, end of period	52,280,010	12,556,892

For the year ended March 31, 2011

	Number of common shares	Common shares (\$)
Balance, beginning of year	51,857,510	12,446,792
Exercise of stock options	485,833	124,283
Accumulated compensation expenses on options exercised	-	69,287
Balance, end of year	52,343,343	12,640,362

Stock option plan

The Corporation maintains a stock option plan for its directors, key employees and consultants by virtue of which they can acquire common shares. The conditions of exercise are determined by the Board of Directors following the rules of the TSX Venture Exchange. The stock options are granted at a price equal to the share price at the close of the stock market the day preceding the date of grant.

The stock option plan provides that the maximum number of common shares, which may be reserved for issuance to any one participant pursuant to share options, may not exceed 5% of the common shares outstanding. The maximum number of common shares that may be reserved for issuance to insiders of the Corporation is limited to 20% of the common shares outstanding on the grant date. The maximum number of stock options, which the Corporation is authorized to issue, is 8,000,000. As at June 30, 2011, the outstanding number of stock options for issuance was 702,402.

The following table presents the changes which have occurred during the quarters ended June 30, 2011 and 2010 with regard to the stock option plan.

	Quarter ended June 30, 2011		Quarter ended June 30, 2010	
	Number of stock options	Weighted average exercise price (\$)	Number of stock options	Weighted average exercise price (\$)
Outstanding, beginning of period	5,353,688	0.32	5,417,857	0.30
Granted	500,000	0.30	669,000	0.38
Exercised	(126,668)	0.26	(422,500)	0.25
Forfeited	(16,667)	0.20	(700,000)	0.47
Outstanding, end of period	<u>5,710,353</u>	<u>0.32</u>	<u>4,964,357</u>	<u>0.30</u>

The compensation expense arising from stock options granted has been amortized according to the graded vesting method and is reported under "General, sales and administrative". The compensation expense amount for the current period is \$55,622 (June 30, 2010 – \$88,707) and the counterpart has been credited to contributed surplus in the Shareholders' equity.

Grants of stock options vest at 33.33% per year, commencing with the first anniversary of the grant. The outstanding stock options can be exercised up to July 1, 2015.

The weighted average fair value of each stock option grant is estimated at \$0.224 for the quarter ended June 30, 2011 (quarter ended June 30, 2010 - \$0.27) and is calculated using the Black - Scholes option pricing model with the following weighted average assumptions:

Expected life	5 years (June 30, 2010 – 5 years)	Risk-free interest rate	2.30% (June 30, 2010 – 2.74%)
Dividend yield	0% (June 30, 2010 – 0%)	Volatility	98.7% (June 30, 2010 – 92.7%)

Stock warrants

During the period, as part of a private placement process, the Corporation issued 5,745,173 stock warrants entitling the holder to purchase one common share at the price of \$0.40 per share. The stock warrants will expire on November 25, 2012. The stock warrants were valued at \$666,795 using the Black & Scholes option pricing model with the following weighted average assumptions used on their issuance date:

Expected life	18 months	Risk-free interest rate	2.30%
Dividend yield	0%	Volatility	98.7%

10. Financial instruments and risk management

a) Fair value hierarchy

Financial instruments recorded at fair value on the interim condensed 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 to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

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

				As at June 30, 2011
	Level 1	Level 2	Level 3	Total financial assets at fair value
			\$	
Financial assets				
Cash	265,932	-	-	265,932
Temporary investments	2,758,714	-	-	2,758,714
Investments – shares	145,000	-	-	145,000
Total financial assets	3,169,646	-	-	3,169,646

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

				As at June 30, 2010
	Level 1	Level 2	Level 3	Total financial assets at fair value
			\$	
Financial assets				
Cash	148,215	-	-	148,215
Temporary investments	1,037,866	-	-	1,037,866
Investments – shares	369,294	-	-	369,294
Total financial assets	1,555,375	-	-	1,555,375

				As at April 1, 2010
	Level 1	Level 2	Level 3	Total financial assets at fair value
			\$	
Financial assets				
Cash	256,313	-	-	256,313
Temporary investments	1,286,766	-	-	1,286,766
Investments – shares	348,179	-	-	348,179
Total financial assets	1,891,258	-	-	1,891,258

b) Risks

The Corporation is exposed to risks which could have an impact on its capacity to reach its strategic growth objectives. The Corporation strives to control and mitigate its financial risks through management practices that require the identification and analysis of the risks related to its 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 client or financial institution may default, in part or in whole, on their financial obligations, as they come due.

Cash and temporary investments

Cash as well as temporary investments are mainly risk-free or low risk investments, such as cash and guaranteed term deposits held with recognized financial institutions. None of these short-term investments consist of asset-backed commercial paper. Consequently, management considers the credit risk related to cash and temporary investments to be minimal.

Clients

In the normal course of business, the Corporation grants credit to its clients. The Corporation carries out credit checks on its clients and establishes allowances for doubtful accounts. For other accounts receivable, the Corporation determines, on a continuing basis, the probable losses and establishes a provision for losses based on the estimated realizable value.

As at June 30, 2011, 62% of amounts receivable from customers was broken down between six clients active in the mining exploration industry (97% of amounts receivable from two clients active in the exploration mining industry as at March 31, 2011, 42% of amounts receivable from two clients active in the exploration mining industry as at April 1, 2010). It should be noted that given the specialization of the Corporation's market niche, it is most likely that such concentration risk will continue. However, from one year to the next, it is rare that the same clients make up this concentration. Despite the concentration of its clients, the credit risk is mitigated through monitoring and the measures available to the Corporation, as previously described.

Additionally, as at June 30, 2011:

- 1.3% of the net trade receivables are over 90 days old (31% as at March 31, 2011, 38% as at April 1, 2010);
- amounts receivable from customers exceeding the normal payment terms of 30 days for which no allowance was applied represented 1.3% or \$1,625 of the net amounts receivable from customers (40% or \$77,455 as at March 31, 2011, 39% or \$22,575 as at April 1, 2010).

Consequently, management considers the credit risk related to amounts receivable to be nominal.

ii. Liquidity Risks

The liquidity risk is the risk that the Corporation cannot meet its obligations as they come due. To fund its liquidity requirements, the Corporation uses cash flows from operations and issuance of shares. In addition, the Corporation has for policy to target contracts that will generate positive cash flows throughout their execution.

As at June 30, 2011, amounts payable that were due in the next 12 months totaled \$206,884 (March 31, 2011 - \$249,055, April 1, 2010 – \$203,855). Considering the available liquidities to meet its obligations, the Corporation's exposure to liquidity risk is nominal.

iii. Interest Rate Risk

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

As at June 30, 2011, the Corporation's exposure to interest rate risk is summarized as follows:

Temporary investments	Fixed interest rate
Amounts receivable	Non-interest bearing
Amounts payable	Non-interest bearing

iv. Market Risk related to Exchange Rate Fluctuations Risk

During the period, almost all of the sales and purchases were made using the Canadian dollar. Consequently, management considers the exchange rate fluctuation risk to be minimal.

11. Expenses by nature

	Quarter ended June 30,	
	2011	2010
	\$	
Amortization	24,421	31,866
Audit	30,500	26,158
Bad debt	-	(34,100)
Communications	12,323	10,192
Consulting	59,697	55,015
Legal	1,037	9,433
Marketing	15,042	21,804
Overhead	64,955	37,377
Remuneration	607,293	483,739
Revaluation	(3,707)	-
Tax credits	(44,550)	(24,750)
Travel and living	78,323	38,101
	<u>845,334</u>	<u>654,835</u>

12. Income taxes

As at June 30, 2011 and June 30, 2010 income taxes recoverable are comprised of non-capital losses and investment tax credits. Based on available information, it is more likely than not that these amounts will not be realized in the near future, therefore no future income taxes provision was recorded in these financial statements.

The non-capital losses (Federal amounts shown hereafter), continual and available, will expire as follows:

March 31,	\$	March 31,	\$
2014	246,255	2028	93,504
2015	735,735	2029	1,585,740
2026	9,342	2030	1,557,531
2027	177,589	2031	854,366
		Total	<u>5,260,062</u>

Investment tax credits (Federal amounts shown hereafter) will expire as follows:

<u>March 31,</u>	<u>\$</u>	<u>March 31,</u>	<u>\$</u>	<u>March 31,</u>	<u>\$</u>
2023	34,386	2026	86,448	2029	94,288
2024	25,481	2027	87,193	2030	132,055
2025	161,868	2028	91,820	2031	148,019
				<u>Total</u>	<u>861,558</u>

13. Net change in non-cash operating working capital items

	<u>Quarter ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$</u>	
Decrease (increase) in amounts receivable	(14,570)	(10,541)
Decrease (increase) in prepaid expenses	(29,710)	12,770
Decrease (increase) in inventories	(73,670)	-
Increase (decrease) in amounts payable	(42,171)	3,585
Increase (decrease) in deferred revenues	(37,500)	(9,600)
	<u>(197,621)</u>	<u>(3,786)</u>

14. Segment information

The Corporation operates one material reportable segment; data interpretation services. Revenue by geographic area is presented below on the basis of the country of delivery. All capital and intangible assets are located in Canada.

The following table presents the segmented revenue by geographical sector:

	<u>Quarter ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$</u>	
Canada	106,300	135,300
France	12,794	-
Chile	12,500	-
	<u>131,594</u>	<u>135,300</u>

15. Related party transactions

The Corporation's related parties include the wholly-owned subsidiary as well as the Corporation's key management personnel.

Key management personnel include directors and officers. Total compensation paid to key management personnel is shown below:

	<u>Quarter ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$</u>	
Base salary	158,802	154,345
Stock based compensation	37,909	51,418
Incentives	25,150	-
Sales commissions	8,802	3,500
	<u>230,663</u>	<u>209,263</u>

16. Transition to IFRS – The basis of transition

a. Application of IFRS 1

The Corporation's consolidated financial statements for the period ended June 30, 2011 are the first interim financial statements to be prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements were prepared as described in note 2. The Corporation applied IFRS 1 in the preparation of these interim financial statements.

The Corporation's date of transition to IFRS is April 1, 2010, i.e. the date of the beginning of the earliest comparative period. The Corporation prepared its opening statement of financial position as at that date. The end of the reporting period for these interim condensed consolidated financial statements is June 30, 2011. The date of IFRS adoption by the Corporation is April 1, 2011.

IFRS 1 general rule is to apply retrospectively all standards effective as at March 31, 2012. IFRS 1 provides for some exemptions and exceptions to this general rule.

b. Exemptions to the retrospective application

The Corporation decided to apply the following exemption:

i. Business combinations

The Corporation applied the exemption provided for under IFRS 1. Business combinations that occurred before the date of transition to IFRS were not restated. The classification determined in accordance with Canadian GAAP has been maintained. Assets and liabilities acquired in past business combinations were recognized at the date of transition to IFRS.

c. Exception to the retrospective application

The Corporation applied the following mandatory exception:

i. Estimates

Estimates under IFRS are consistent with those made for the same date according to Canadian GAAP.

17. Transition to IFRS – Reconciliation between IFRS and Canadian GAAP (CGAAP)

The following reconciliations demonstrate the effect of the transition to IFRS:

- Equity at April 1, 2010
- Equity at March 31, 2011
- Equity at June 30, 2010
- Comprehensive income for the year ended March 31, 2011
- Comprehensive income for the period ended June 30, 2010

Reconciliation of equity at April 1, 2010:

	CGAAP As at April 1, 2010	Note	IFRS adjustment	IFRS As at April 1, 2010
			\$	
Share capital	12,446,792			12,446,792
Contributed surplus	2,775,874	i	447,032	3,222,906
Deficit	(13,382,706)	i	(447,032)	(13,829,738)
Investments revaluation reserve	141,892			141,892
	<u>1,981,852</u>		-	<u>1,981,852</u>

Reconciliation of equity at March 31, 2011:

	CGAAP As at March 31, 2011	Note	IFRS adjustment	IFRS As at March 31, 2011
			\$	
Share capital	12,640,362			12,640,362
Contributed surplus	2,822,377	i	680,216	3,502,593
Deficit	(14,456,977)	i	(680,216)	(15,137,193)
Investments revaluation reserve	176,417			176,417
	<u>1,182,179</u>		-	<u>1,182,179</u>

Reconciliation of equity at June 30, 2010:

	CGAAP As at June 30, 2010	Note	IFRS adjustment	IFRS As at June 30, 2010
			\$	
Share capital	12,556,892			12,556,892
Contributed surplus	2,806,287	i	505,326	3,311,613
Deficit	(13,842,737)	i	(505,326)	(14,348,063)
Investments revaluation reserve	163,007			163,007
	<u>1,683,449</u>		-	<u>1,683,449</u>

i. Cumulative adjustment required to retrospectively apply IFRS 2 – Share-Based Payment – for outstanding and non-vested options under the Corporation’s stock option plan at the transition date. Under CGAAP, the Corporation was permitted to elect to treat the stock options issued with graded vesting conditions, to determine the fair value using the average expected life of the instruments and recognize the expense on a straight-line basis. Under IFRS 2, the Corporation is required to recognize each tranche of a graded vesting stock option grant over the required vesting period in valuing stock options, and use an estimated forfeiture rate, resulting in an accelerated compensation expense for these awards under IFRS.

Comprehensive income for the year ended March 31, 2011

	CGAAP year ended March 31, 2011	Note	IFRS adjustment \$	IFRS year ended March 31, 2011
Revenue	1,074,513			1,074,513
Cost of goods sold	24,950			24,950
Gross profit	1,049,563			1,049,563
Expenses				
General, sales and administrative	1,866,252	ii	233,184	2,099,436
Research and development	614,125			614,125
Tax credits on research and development expenses	(178,206)			(178,206)
Geology	204,533			204,533
Amortization of capital assets	64,550			64,550
Amortization of intangible assets	61,390			61,390
	<u>2,632,644</u>		<u>233,184</u>	<u>2,865,828</u>
Loss before other income	(1,583,081)		(233,184)	(1,816,265)
Interest income	8,790			8,790
Gain on disposal of investments	500,020			500,020
	<u>508,810</u>			<u>508,810</u>
Net loss	(1,074,271)		(233,184)	(1,307,455)
Other element of comprehensive loss				
Variance in fair value of investments	536,510			536,510
Accumulated variances in fair value of investments at time of disposals	(501,985)			(501,985)
	<u>34,525</u>			<u>34,525</u>
Comprehensive loss	(1,039,746)		(233,184)	(1,272,930)

ii Adjustment required to retrospectively apply IFRS 2 – Share-Based Payment – for outstanding and non-vested options under the Corporation’s stock option plan at the transition date. Under CGAAP, the Corporation was permitted to elect to treat the stock options issued with graded vesting conditions, to determine the fair value using the average expected life of the instruments and recognize the expense on a straight-line basis. Under IFRS 2, the Corporation is required to recognize each tranche of a graded vesting stock option grant over the required vesting period in valuing stock options, and use an estimated forfeiture rate, resulting in an accelerated compensation expense for these awards under IFRS.

Comprehensive income for the period ended June 30, 2010

	CGAAP period ended June 30, 2010	Note	IFRS adjustment	IFRS period ended June 30, 2010
			\$	
Revenue	135,300			135,300
Expenses				
General, sales and administrative	402,353	iii	58,294	460,647
Research and development	146,535			146,535
Tax credits on research and development expenses	(24,750)			(24,750)
Geology	40,537			40,537
Amortization of capital assets	16,858			16,858
Amortization of intangible assets	15,008			15,008
	<u>596,541</u>		<u>58,294</u>	<u>654,835</u>
Loss before other income	(461,241)		(58,294)	(519,535)
Interest income	1,210			1,210
Net loss	(460,031)		(58,294)	(518,325)
Other element of comprehensive loss				
Variance in fair value of investments	21,115			21,115
Comprehensive loss	(438,916)		(58,294)	(497,210)

iii Adjustment required to retrospectively apply IFRS 2 – Share-Based Payment – for outstanding and non-vested options under the Corporation’s stock option plan at the transition date. Under CGAAP, the Corporation was permitted to elect to treat the stock options issued with graded vesting conditions as a single grant, to determine the fair value using the average expected life of the instruments and recognize the expense on a straight-line basis. Under IFRS 2, the Corporation is required to recognize each tranche of a graded vesting stock option grant over the required vesting period in valuing stock options, and use an estimated forfeiture rate, resulting in an accelerated compensation expense for these awards under IFRS.

General information

Head office

Diagnos Inc.
7005 Taschereau BLVD
Suite 340
Brossard (Quebec)
J4Z 1A7
T. : (450) 678-8882 ou (877) 678-8882

Stock Exchange Listing

The shares of DIAGNOS inc. are listed on the TSX Venture Exchange under the symbol ADK.

Transfer Agents and Registrar

Computershare Trust Company of Canada

1500, Université Street
Suite 7001
Montreal, Quebec H3A 3S8

Independent Auditor

Samson Bélair / Deloitte & Touche, s.e.n.c.r.l.

1, Place Ville-Marie
Suite 3000
Montreal, Quebec H3B 4T9

Legal Counsel

Borden Ladner Gervais

1000 de la Gauchetière St. West
Suite 900
Montreal, Québec H3B 5H4

Electronic Delivery

The Shareholders of DIAGNOS inc. can elect to receive DIAGNOS' documents (such as Quarterly and Annual Reports and the Information Circular) in electronic form on the Internet rather than in hard copy by mail. Shareholders wishing to use this service should contact Computershare Trust Company of Canada.

Investor Relations

Please visit DIAGNOS' corporate website at
<http://www.diagnos.com> or the SEDAR website at
<http://www.sedar.com>

Others

Currency used is the Canadian dollar, unless specified.
Additional copies of this report are available upon request.

Un exemplaire français du présent rapport est disponible sur demande.