



2019.03.11

## DIAGNOS Announces Corporate Reorganization

Brossard, Quebec, Canada – March 11<sup>th</sup>, 2019 - DIAGNOS Inc. (“DIAGNOS”, “the Corporation” or “we”) (TSX Venture: ADK), (OTCQB: DGNOF), a leader in early detection of critical health issues through the use of its FLAIRE platform based on Artificial Intelligence (AI), announces that it has taken steps to reorganize its debt and capital structure to allow it to efficiently allocate its resources and pursue the growth of the business. As such, Diagnos has put in place a special reorganization team to cover all strategic, legal, organizational and financial aspects of the proposed reorganization.

### For the purpose of reorganizing the debt:

Diagnos will be holding a meeting for the holders (the “**Debentureholders**”) of the 10% secured convertible debentures (the “**Debentures**”), on April 4, 2019, to obtain their approval for a proposed amendment to the Debentures which would allow the Corporation to immediately redeem the principal amount in the aggregate amount of \$4,940,000, plus accrued interest, on the Debentures (the “**Debenture Redemption**”) payable in common shares (the “**Shares**”) of the Corporation at the deemed issue price of \$0.035 per Share (being \$0.35 post Consolidation (as defined herein), the “**Redemption Price**”). If the Debenture Redemption is not approved, the Corporation will seek approval to amend the terms of the Debentures (the “**Debenture Amendments**”) to allow the Corporation to: i) make the interest payments in the form of Shares; and, ii) repay the Debentures at maturity, in the form of Shares, based on a Share price equal to the volume weighted average price (VWAP) of the Corporation’s Shares, for the 5 days prior to the interest payment date or the maturity date.

If the Debenture Redemption is approved, the Corporation will seek to convert the 10% unsecured convertible notes outstanding (the “**Notes**”) in the aggregate principal of \$1,000,000, at the Redemption Price, by private contract (the “**Note Redemption**”).

The Debenture Redemption, the Debenture Amendments and the Note Redemption are subject to the approval of the TSX Venture Exchange (the “**TSXV**”) and compliance with TSXV Corporate Finance Manual - Policies, which establish a minimum share issuance price of \$0.05. Accordingly, approval of the Consolidation is required before the transactions contemplated herein can take place.

### For the purpose of reorganizing its capital structure:

The Corporation will be holding a special meeting of its shareholders (the “**Shareholders**”) on April 10, 2019, to obtain approval for an amendment to the Corporation’s articles to allow it to proceed with a Share consolidation on the basis of one (1) post consolidated Share being outstanding for every ten (10) pre-consolidation Shares (the “**Consolidation**”). If passed, the Consolidation will take place as soon as possible and the Corporation will proceed shortly thereafter with the Debenture Redemption, if passed and, the Note Redemption, as may be applicable.

## **Benefits and Management Recommendation**

The Board of Directors acting in good faith and with a view of the Corporation's best interest, believes the proposed reorganization to be fair to all of its stakeholders as it will allow Diagnos to move forward with the development of the business.

The Board recommends that the Debentureholders vote in favour of the Debenture Redemption and that the Shareholders vote in favour of the Consolidation, for the following reasons:

- **Reduced risk.** The Corporation has missed interest payments on the Debentures. It does not have nor does it anticipate having, the financial capacity to redeem the Series 1 – Debentures, due July 29, 2019, in cash, or that it could do so without severely impacting its commercialization efforts. The Debenture Redemption would significantly reduce the risks of default by the Corporation, ensure its continuity and provide Debentureholders with a Redemption Price that is aligned with the market value of the Shares, all the while preserving the opportunity to generate capital appreciation and participate in the growth of the Corporation's business.
- **Facilitate capital raises; Favorable capital structure:** The Corporation will require additional working capital to move forward with the growth of the business. By removing \$6.6M of debt from its balance sheet, and in so doing eliminating the threat to the Corporation's continuity and use of its assets and, by presenting an attractive capital structure; 40.2M Shares outstanding at a higher Share price, the Corporation expects this will facilitate the injection of new capital and generate interest on a broader level from a variety of investors, including institutional investors.
- **Removes important barriers to business development.** Adding new users is key to building a strong client base for the Corporation's AI tools in the medical field. It is a lengthy process requiring sustained efforts and support, namely during the trial process, and uncertainties as to the long-term viability of the Corporation is an important barrier to business development. By presenting a stronger financial position, potential customers and business partners, both in the private and public sectors, will be less hesitant to invest resources, time and money, in the product adoption process.
- **Favorable Redemption Price.** The proposed Redemption Price is highly favorable as conversion prices are currently at \$0.10 for the Series 1 and 3 Debentures, \$0.15 for the Series 2 Debentures and \$0.16 for the Notes and, following the Consolidation, the conversion prices would be adjusted to, respectively, \$1.00, \$1.50 and \$1.60. Moreover, the TSXV policies do not permit reductions in the conversion price of convertible securities, to a price that would be below the common share price at the time of issuance of the convertible security, other than in the context of a debt reorganization.

## **Pro forma Share structure following the reorganization**

The Corporation currently has 212,931,265 Shares outstanding, Debentures in the aggregate principal amount of \$4,940,000 and Notes in the aggregate principal amount of \$1,000,000. The following table presents the pro forma share structure of the Corporation assuming the Debenture Redemption, the Note Redemption and the Consolidation are approved.

Debt	Maturity	Outstanding Aggregate Principal	Shares issued based on Redemption Price	Shares outstanding post Consolidation
Series 1 – Senior 10% Secured Convertible Debentures	July 29, 2019	\$1,530,000	43,714,285	4,371,428
Series 2 – 10% Secured Convertible Debentures	April 13, 2020	\$2,610,000	74,571,428	7,457,142
Series 3 – 10% Secured Convertible Debentures	July 4, 2021	\$800,000	22,857,142	2,285,714
Total for the Secured Debentures		\$4,940,000	141,142,855	14,114,284
10% Convertible Notes	October 13, 2020	\$900,000	25,714,285	2,571,428
10% Convertible Notes	October 23, 2020	\$100,000	2,857,142	285,714
Total for the Convertible Notes		\$1,000,000	28,571,427	2,857,142
Accrued interest (to April 17, 2019).		\$687,822	19,652,045	1,965,204
Conversion; Consolidation		(\$6,627,822)	189,366,327	18,936,630
<b>Outstanding debt; Shares</b>		<b>\$0</b>	<b>402,297,592</b>	<b>40,229,759</b>

### **Corporate Update**

Commercialization efforts have increased in the recent year and management expects sales will steadily improve as it is building a customer base by creating awareness for its FLAIRE platform with ongoing trials which are generating excellent results. Although the slow rates of adoption for innovative products in the medical industry have been and continue to be an important challenge for the Corporation, moving forward, we are gaining an in-depth understanding of the process and we expect to build from these early adopters, a strong client base. In addition to CARA (Computer Assisted Retina Analysis) being commercialized, Diagnos has been actively 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, which has strong growth potential. A few other healthcare-focused software tools, which are presently in the development phase, include Hypertensive Retinopathy, OCT, Sleep Apnea and Alzheimer's disease.

### ***Recent Key highlights:***

- September 18, 2018: Diagnos reaches agreement with 20/20NOW, the leading ocular telehealth provider in the United States.
- November 13, 2018: Addition of Strategic partner in Mexico.
- November 11, 2018: Diagnos closed a private placement of approximately \$1M and attracted a new strategic investor.
- December 4, 2018: Diagnos signs a collaborative agreement with a renowned engineering school in Montreal for the accelerated development of new innovative features for CARA based on deep learning applications.

- January 22, 2019: Diagnos announces extension to the diabetic retinopathy screening services assisted by Artificial Intelligence (AI) at the Centre Hospitalier de l'Université de Montréal (CHUM) following the excellent initial results from trial.
- January 29, 2019: Diagnos strengthens the Board with the addition of Dr. Jean-Francois Yale, an endocrinologist and professor of medicine at McGill with specific interest in the prevention and management of Diabetes.

### **Meeting of Debentureholders April 4, 2019**

The meeting of the Debentureholders will take place on April 4, 2019, at 10:30 am, at the offices of the Corporation located at 7005 Taschereau Blvd., suite 340, Brossard (Quebec). Debentureholders will be asked to approve the Debenture Redemption, and alternately approve the Debenture Amendments. Debentureholders are urged to carefully review the management information Circular they will receive, and the voting instructions provided. For the Debenture Redemption or the Debenture Amendments resolutions to be passed, a quorum representing 25% or more of the outstanding principal amount of the Debentures must be represented, in person or by proxy, at the meeting, of which, Debentureholders having no less than 66 2/3% of the principal value of the Debentures, must vote in favour. The Debenture Redemption remains subject to approval by the TSXV, and any and all further Shares issuances will also be subject to the approval of the TSXV, at the time of issuance. If a Share issuance would result in the creation of a new insider or dominant shareholder (meaning respectively, having control over 10% and 20% or more of the Corporation's securities) the approval of the TSXV and/or of the Shareholders may be required. However, at this time, the Corporation does not anticipate the creation of new insiders or control persons pursuant to the reorganization.

All securities issued and issuable to the Debentureholders and/or Noteholders will be subject to a four month and one day hold period from the date of issuance and, it is a condition, that all Shares issuances contemplated herein be made in compliance with exemptions of prospectus and/or registration requirements under applicable securities laws.

### **Meeting of Shareholders April 10, 2019**

The Shareholder meeting will take place on April 10, 2019, at 10:00, at the offices of the Corporation located at 7005 Taschereau Blvd, suite 340, Brossard (Quebec). The Shareholders will be asked to approve an amendment to its articles of incorporation to proceed with the 1:10 consolidation of its Shares, following which every 10 pre-consolidation Shares held will be converted to one (1) post consolidation Share. All convertible securities issued and outstanding will be adjusted in the same ratio, in quantity and in price, on the effective date. Shareholders of record on March 12, 2019 will receive a proxy solicitation and management information circular which will include the details of the Consolidation and voting instructions. The resolution approving the Consolidation must be approved by no less than 66 2/3% of the Shareholders, in person or represented by proxy, at the meeting.

### **About DIAGNOS**

DIAGNOS is a publicly-traded Canadian corporation with a mission of early detection of critical health issues through the use of its Artificial Intelligence ("AI") tool CARA (Computer Assisted Retina Analysis). CARA is a tele-ophthalmology platform that integrates with existing equipment (hardware and software) and processes at the point of care. CARA's Artificial Intelligence image enhancement algorithms make standard retinal images sharper, clearer and easier to read. CARA is accessible securely over the internet, and is compatible with all recognized image formats and brands of fundus cameras, and is EMR compatible. CARA is a cost-effective tool for screening large numbers of patients in real-time. CARA complies with local regulations, is FDA cleared for commercialization in the United States of America, is Health Canada licensed for commercialization in Canada and is CE marking compliant in Europe.

Additional information is available at [www.diagnos.com](http://www.diagnos.com) and [www.sedar.com](http://www.sedar.com)

For further information, please contact:

Mr. André Larente, President  
DIAGNOS Inc.  
Tel: 450-678-8882 ext. 224  
[alarente@diagnos.ca](mailto:alarente@diagnos.ca)

**The TSXV has neither approved nor disapproved the contents of this press release. The TSXV does not accept responsibility for the adequacy or accuracy of this release.**

#### **Forward Looking Information and Cautionary Statements**

*Except for statements of historical facts, this news release contains certain forward-looking statements within the meaning of applicable securities law. Forward-looking statements are frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” occur. Although Diagnos believes that the expectations reflected in the forward-looking statements, including the anticipated benefits to Diagnos resulting from the Debenture Redemption, the Note Redemption and the Consolidation, as outlined in the Benefits Recommendation of Management, are reasonable, there can be no assurance that all or any of these expectations will prove to be correct namely as they relate to the proposed transactions. Securityholders are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of risks and uncertainties, including but not limited to, the risk that the Debenture amendments will not be successfully completed for any reason and the risk that, if completed, the Corporation may not realize the anticipated benefits of the Debenture amendments. Such forward-looking statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. Except as required under applicable securities legislation, the Corporation undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or otherwise.*

***The securities to be issued pursuant to the offering have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "1933 Act"), or under any state securities laws, and may not be offered or sold, directly or indirectly, or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the 1933 Act) absent registration or an applicable exemption from the registration requirements. This news release does not constitute an offer to sell or a solicitation to buy such securities in the United States.***