DIAGNOS

Your Knowledge Partner

# DIAGNOS Inc.

Consolidated Financial Statements
For the years ended March 31, 2020 and March 31, 2019

Raymond Chabot
Grant Thornton

# Independent Auditor's Report

**Raymond Chabot**
**Grant Thornton LLP**
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec
H3B 4L8

**T** 514-878-2691

To the Shareholders of
Diagnos Inc.

## Opinion

We have audited the consolidated financial statements of Diagnos Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at March 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor’s responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty related to going concern

We draw attention to Note 1 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Information other than the consolidated financial statements and the auditor’s report thereon**

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor’s report thereon, included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

**Auditor’s responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Louis Berardi.

Raymond Chabot Grant Thornton LLP[1]

Montréal
June 5, 2020

---

[1] CPA auditor, CA public accountancy permit no. A115879

DIAGNOS Inc.

# Consolidated Statements of Financial Position

(amounts in Canadian dollars)

| | Note | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current** | | | |
| Cash | | 570,442 | 138,242 |
| Short-term investments | 5 | 1,301,665 | 555,712 |
| Accounts receivable | 6 | 343,682 | 390,537 |
| Prepaid expenses | | 122,285 | 8,431 |
| | | 2,338,074 | 1,092,922 |
| **Non-current** | | | |
| Investments | 7 | 31,120 | 10,000 |
| Capital assets | 8 | 64,753 | 104,219 |
| | | 95,873 | 114,219 |
| **Total assets** | | **2,433,947** | **1,207,141** |
| **LIABILITIES** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 9 | 273,057 | 766,840 |
| Deferred revenue | | 4,167 | 4,167 |
| Loans | 10 | 125,000 | - |
| Convertible notes | 11 | 143,497 | - |
| Convertible debentures | 12 | - | 1,670,240 |
| Leases | 13 | 35,313 | 39,349 |
| | | 581,034 | 2,480,596 |
| **Non-current** | | | |
| Convertible notes | 11 | - | 880,546 |
| Convertible debentures | 12 | - | 2,896,551 |
| Leases | 13 | 33,742 | 32,047 |
| | | 33,742 | 3,809,144 |
| **Total liabilities** | | **614,776** | **6,289,740** |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | |
| Share capital | 14 | 33,666,631 | 23,698,314 |
| Reserve | 15 | 8,468,301 | 8,169,228 |
| Deficit | | (40,332,941) | (36,950,068) |
| Investments revaluation reserve | | (53,082) | (53,532) |
| Foreign exchange differences | | 70,262 | 53,459 |
| | | 1,819,171 | (5,082,599) |
| **Total liabilities and shareholders' equity (deficiency)** | | **2,433,947** | **1,207,141** |

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

Approved by the Board of directors:

*(signed) François Côté, Chairman* *(signed) André Larente, Director*

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

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | **Year ended March 31,** | |
| | | $ | |
| **Revenue** | 20 | **331,517** | **326,469** |
| **Expenses** | | | |
| Costs of services and research and development | | 804,972 | 1,085,841 |
| Selling and administrative | | 2,322,893 | 2,170,600 |
| | 17 | 3,127,865 | 3,256,441 |
| **Loss before other items** | | **(2,796,348)** | **(2,929,972)** |
| Other income | 22 | 85,804 | 52,308 |
| Interest expense | 17 | (343,884) | (1,025,431) |
| Loss on disposal of capital assets | 8 | 2,833 | (627) |
| Loss on shares for debt | 10 | (155,556) | - |
| Loss on settlement of convertible notes and debentures, including redemption expenses of $55,592 | 11,12 | (175,722) | - |
| **Loss before income taxes** | | **(3,382,873)** | **(3,903,722)** |
| Income taxes | 18 | - | (64,666) |
| **Net loss** | | **(3,382,873)** | **(3,839,056)** |
| Other comprehensive (loss) income items | | | |
| Net change in foreign exchange translation | | 450 | (31,643) |
| Net change In fair value of financial assets at fair value through other comprehensive income | | 16,803 | (28,959) |
| | | 17,253 | (60,602) |
| **Comprehensive loss** | | **(3,365,620)** | **(3,899,658)** |
| **Basic and diluted net loss per share** | | **(0.08)** | **(0.21)** |
| Weighted-average number of common shares outstanding | | 40,735,127 | 18,838,584 |

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

# Consolidated Statements of Changes in Equity
(amounts in Canadian dollars)

**Year ended March 31, 2020**

| | Note | Share capital (note 14) | Reserve (note 15) | Deficit | Investments revaluation reserve | Foreign exchange differences | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| | | | | $ | | | |
| **Balance, beginning of year** | | **23,698,314** | **8,169,228** | **(36,950,068)** | **(53,532)** | **53,459** | **(5,082,599)** |
| Net loss | | - | - | (3,382,873) | - | - | (3,382,873) |
| Other comprehensive loss items | | - | - | - | 450 | 16,803 | 17,253 |
| Issuance of common shares | 14 | 10,115,429 | - | - | - | - | 10,115,429 |
| Issuance of warrants | 10,15 | - | 173,242 | - | - | - | 173,242 |
| Issue expenses | 14,15 | (147,112) | (7,684) | - | - | - | (154,796) |
| Stock-based compensation expense | 14,15 | - | 133,515 | - | - | - | 133,515 |
| **Balance, end of year** | | **33,666,631** | **8,468,301** | **(40,332,941)** | **(53,082)** | **70,262** | **1,819,171** |

**Year ended March 31, 2019**

| | Note | Share capital (note 14) | Reserve (note 15) | Deficit | Investments revaluation reserve | Foreign exchange differences | Total shareholders' deficiency |
|---|---|---|---|---|---|---|---|
| | | | | $ | | | |
| **Balance, beginning of year** | | **21,881,166** | **7,532,632** | **(33,111,012)** | **(24,573)** | **85,102** | **(3,636,685)** |
| Net loss | | - | - | (3,839,056) | - | - | (3,839,056) |
| Other comprehensive loss items | | - | - | - | (28,959) | (31,643) | (60,602) |
| Issuance of common shares | 14 | 1,833,675 | - | - | - | - | 1,833,675 |
| Issuance of conversion options | | | | | | | |
| (net of deferred tax liability of $62,206) | 12,15 | - | 170,775 | - | - | - | 170,775 |
| Issuance of warrants | | | | | | | |
| (net of deferred tax liability of $2,460) | 12,15 | - | 258,053 | - | - | - | 258,053 |
| Issue expenses | 14,15 | (16,527) | (16,440) | - | - | - | (32,967) |
| Stock-based compensation expense | 14,15 | - | 224,208 | - | - | - | 224,208 |
| **Balance, end of year** | | **23,698,314** | **8,169,228** | **(36,950,068)** | **(53,532)** | **53,459** | **(5,082,599)** |

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

DIAGNOS Inc.

## Consolidated Statements of Cash Flows
(amounts in Canadian dollars)

| | Note | Year ended March 31, 2020 | 2019 |
|---|---|---|---|
| | | $ | |
| **Cash flows from operating activities** | | | |
| Net loss | | (3,382,873) | (3,839,056) |
| Items not affecting cash | | | |
| Depreciation of capital assets | 8 | 101,720 | 190,563 |
| Amortization of intangible assets | | - | 759 |
| Deferred income taxes | 18 | - | (64,666) |
| Accretion on loans | 10 | 122,704 | - |
| Accretion on leases | 13 | 7,685 | 4,432 |
| Accretion on convertible notes | 11 | 18,793 | 50,636 |
| Accretion on convertible debentures | 12 | 78,471 | 382,496 |
| Interest paid in common shares | 11,14 | - | 45,000 |
| Interest on short-term investments | 5 | (2,133) | (5,729) |
| (Gain) Loss on disposal of capital assets | | (2,833) | 627 |
| Compounded interest | 12 | - | 18,003 |
| Stock-based compensation expense | 14,15 | 128,031 | 224,208 |
| Loss on shares for debt | 10 | 155,556 | - |
| Loss on settlement of debt | | 120,130 | - |
| | | (2,654,749) | (2,992,727) |
| Payment of interest | | 34,302 | 324,156 |
| Net change in operating working capital items | 19 | (20,258) | 348,850 |
| | | **(2,640,705)** | **(2,319,721)** |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of short-term investments | 5 | 725,060 | 36,001 |
| Acquisition of short term investments | 5 | (1,500,000) | (500,000) |
| Proceeds from disposal of investments | 7 | 10,450 | 437,844 |
| Additions to capital assets | 8 | (15,129) | (42,283) |
| Proceeds from disposal of capital assets | | 2,833 | 3,608 |
| Other | | 16,803 | (31,643) |
| | | **(759,983)** | **(96,473)** |
| **Cash flows from financing activities** | | | |
| Issuance of common shares and warrants, net of issue expenses | | 3,399,341 | 1,948,664 |
| Issuance of loans and warrants | 10 | 650,000 | - |
| Repayment of loan | 10 | (125,000) | - |
| Leases | 13 | - | 47,063 |
| Lease payments | 13 | (57,151) | (28,926) |
| Issuance of convertible debentures and warrants, net of issue expenses | 12 | - | 761,500 |
| Payment of interest | | (34,302) | (324,156) |
| | | **3,832,888** | **2,404,145** |
| **Net change in cash** | | **432,200** | **(12,049)** |
| Cash, beginning of year | | 138,242 | 150,291 |
| **Cash, end of year** | | **570,442** | **138,242** |
| Non-cash transactions | | | |
| Payment of interest in shares | 9,11,14 | 501,915 | 45,000 |
| Payment of debt in shares | 10,14 | 400,000 | - |
| Redemption in shares of Convertible Notes | 11,14 | 789,286 | - |
| Redemption in shares of Convertible Debentures | 12,14 | 4,770,557 | - |
| Value of warrants | 15 | 136,454 | - |

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

## 1. Going concern assumption

For the year ended March 31, 2020, the Corporation is reporting a net loss of $3,382,873 and a cumulative deficit of $40,332,941 at the same date. The Corporation has not realized an annual profit since its inception.

These 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:

- Reduce operating costs
- Continue to seek debt financing
- Continue to seek equity financing
- 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 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.

*Impact of the COVID-19 pandemic*
On March 11, 2020, the World Health Organization declared to be a pandemic the recent outbreak of a novel and highly contagious form of coronavirus known as COVID-19. Since then, the Corporation's sales process has been somewhat impacted and screening activities have slowed down. It is currently impossible for the Corporation to clearly assess the full impact of this pandemic on the results for the coming year, however, it should not significantly impact our ability to maintain our operations. The Corporation was able to retain all of its key employees and to qualify for various federal financial relief programs. The Corporation is monitoring the situation closely and may take additional measures to reduce its costs and preserve its liquidities.

## 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 consolidated financial statements have been approved and authorized for issue by the Board of Directors of the Corporation on June 5, 2020.

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

*Basis of presentation*
These 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 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 March 31, 2020, 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% |

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

During the year ended March 31, 2020, SARL Diagnos Medical, an associate, was dissolved. The dissolution did not have an impact on the consolidated financial statements.

*Summary of accounting policies*
These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). These policies have been applied throughout the year unless otherwise stated. The following is a list of the significant accounting policies.

**a) General**
The consolidated financial statements have been prepared and measured at historical cost, except for certain financial instruments that are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets acquired and liabilities assumed.

**b) Revenue recognition**
The Corporation operates in one reportable segment, healthcare services. Revenue from healthcare services typically arises from access to CARA, a web-based software tool used by healthcare professionals principally for the detection of diabetic retinopathy. Access to CARA usually includes sales support for the duration of the contract. In some cases, revenue may also arise from added services such as providing workforce to a client for the customization and the deployment of CARA. The Corporation accounts for the different services separately if they are distinct and the selling prices can be reasonably estimated.

The Corporation also renders consulting services to companies active in the healthcare sector. As this line of business is not strategic to the development of the Corporation, revenue amounts derived from consulting services are not presented separately.

Revenue is recognized when service is rendered to a customer (when access to CARA), usually over the period in which the services are rendered. Revenue is measured based on the consideration specified in a contract with a customer and excludes sales tax amounts and other amounts collected on behalf of third parties. Billing of services is usually done on a monthly basis. Contract assets representing unbilled services rendered are presented under "Accounts receivable" in the consolidated statements of financial position. Contract liabilities representing amounts invoiced before the recognition of services or goods are presented under "Deferred revenue" in the consolidated statements of financial position.

*Government grants*

A government grant is recognized when there is reasonable assurance that (i) the Corporation has complied with all applicable conditions and (ii) the money will be received.

A grant related to assets is presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset. A grant related to income is presented as other income in the consolidated statement of loss and comprehensive loss.

**c) Interest**

Interest is accounted for using the effective interest method. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**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 in reduction of research and development expenses in the consolidated statements of loss and comprehensive loss. Investment tax credits related to capital expenditures are recorded as reductions of capital assets.

**e) Capital assets and depreciation**

Capital assets are stated at historical cost less accumulated depreciation, 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.

Useful lives, residual values and depreciation methods are reviewed at each year-end. Such a review takes into consideration the nature of the assets, their intended use and technological changes.

Depreciation of capital assets is provided on parts that have homogenous lives by using the straight-line method over the estimated useful lives, as follows:

| | **Annual rates** |
|---|---|
| Office furniture and equipments | 20% |
| Computer and medical equipments | 50% |
| Right-of-use assets | Lease term |

**f) Impairment of tangible assets**

At the end of each reporting period, the Corporation assesses 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. They are allocated to the lowest level for which there are largely identifiable cash inflows (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 of disposal 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.

**g) Income taxes**

The Corporation uses the liability method of accounting for income tax. Under this method, future 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. To the extent that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized, the deferred tax asset is not recognized.

**h) 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 periods presented in these consolidated financial statements, all expenses related to development activities were expensed as incurred.

**i) Loss per share**

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

The 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, the warrants and conversion options and the convertible debentures.

**j) Stock-based compensation**

Stock-based compensation is recorded as an expense in the consolidated statements of loss and comprehensive loss, using the fair value obtained by applying the Black - Scholes option pricing model, with a corresponding credit to reserve. 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 reserve and added to share capital.

**k) Equity**

Share capital is recorded at the subscribed value of the shares issued. Proceeds from unit placements are allocated between share and warrants according to the residual value method, where the difference between the fair value and issue price of the share when the warrants are issued is allocated to the warrants.

Reserve is composed of stock-based compensation, issuance of conversion options 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.

Foreign exchange differences comprises foreign currency translation differences arising from the translation of financial statements of the Corporation's foreign entities into Canadian dollars.

Deficit includes the losses from the current year and prior years.

Costs related to the issuance of shares, stock warrants or stock options are recorded in equity net of tax.

**l) Financial instruments**

The following table below presents the measurement categories for each class of the Corporation's financial assets and financial liabilities.

| Description | IFRS 9 |
|---|---|
| Cash | Financial assets at amortized cost |
| Short-term investments | Financial assets at amortized cost |
| Accounts receivable, except tax credits and sales taxes | Financial assets at amortized cost |
| Guaranteed investment certificates | Financial assets at amortized cost |
| Investments in entities other than subsidiaries and associates | Financial assets at Fair Value through Other Comprehensive Income ("FVOCI") |
| Accounts payable and accrued liabilities (except salaries and benefits and sales taxes), convertible notes and convertible debentures | Financial liabilities at amortized cost |

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 the transaction. Transaction costs related to financial instruments are measured initially at fair value, except for transaction costs related to FVTPL financial assets which are expensed as incurred, and are added to the carrying value of the asset or netted against the carrying value of the liability.

The following is a description of the policies for subsequent measurement of financial assets and financial liabilities.

*Financial assets at Fair Value through Profit or Loss (FVTPL)*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

*Financial assets at amortized cost*

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

*Financial assets at Fair Value through Other Comprehensive Income (FVOCI)*

The Corporation has irrevocably elected to present subsequent changes in the fair value of investments in entities other than subsidiaries and associates in Other Comprehensive Income because the investments in equity instruments fail the solely payments of principal and interest test.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. The accumulated fair value reserve related to these investments will never be reclassified to profit and loss.

*Financial liabilities at amortized cost*

These liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

*Component parts of compound instruments*

The component parts of compound instruments (convertible notes and convertible debentures) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Corporation's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

The values of component parts classified as equity are determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

*Impairment of financial assets*

The Corporation uses the expected credit losses impairment model with respect to its financial assets carried at amortized Cost and FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument. The Corporation accounts for expected credit losses over the life of financial assets measured at amortized cost. Expected credit losses over the life of the asset are expected credit losses for all of the default events that a financial instrument may experience over its expected life. The assessment of expected credit losses reflects reasonable and justifiable information about past events, current circumstances and forecasts of events and economic conditions and takes into account the factors specific to the accounts receivable, the general condition of the economy and a current as well as expected appreciation of the conditions prevailing at the balance sheet date, including the time value of the money, if any.

**m) Leases**

The Corporation adopted IFRS 16 - Leases, on April 1, 2019. In accordance with the transition guidance of IFRS 16, the new requirements have been applied retroactively with the cumulative effect of initial application recognized as at April 1, 2019. The 2019 financial statements have not been restated. Previously, the Corporation classified all leases as operating leases and did not recognize assets or liabilities in the statement of financial position because substantially all the risks and rewards incidental to ownership of the leased asset were not transferred. IFRS 16 requires that lessors recognize assets and liabilities for all leases on the statement of financial position, unless the lease term is 12 months of less or the lease for which the underlying asset is of low value.

On adoption of IFRS 16, the Corporation recognized the lease liabilities for leases that had previously been classified as “operating leases” in accordance with the principles of IAS 17 - Leases. These obligations have been measured at the present value of the remaining lease payments, discounted using the Corporation’s incremental borrowing rate as at April 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities as at April 1, 2019 was 11.4%. The related right-of-use assets were measured in the amount of the lease liabilities as at April 1, 2019, adjusted for the amount of lease incentives recognized in liabilities as at March 31, 2019.

Adoption of IFRS 16 had the following impact on the financial position as at April 1, 2019:

Right-of-use assets: $46,330
Lease liabilities: ($46,330)

The discounted value of the operating lease commitments presented in accordance with IAS 17 as at March 31, 2019, calculated using the incremental borrowing rate as at April 1, 2019 is $117,000. The difference between the discounted value of the commitments and the lease liabilities recognized as at March 31, 2019 is essentially the exclusion of operating leases with a term of less than 12 months.

For the initial application of IFRS 16, the Corporation used the following practical expedients permitted by the standard:

- Recognition of operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short-term leases;
- Exclusion of initial direct costs to measure right-of-use assets;
- Use of hindsight to determine the lease term of a lease with renewal options.

Prior to April 1, 2019, leases were classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Finance leases are recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

**n) Provisions**

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**o) Foreign currency translation**

For the purpose of the consolidated financial statements, the profit or loss and financial position of each group entity are expressed in Canadian dollars, which is the functional and presentation currency of the Corporation.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the respective entity at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized in profit or loss. Non-monetary items are not translated at year-end and are measured at historical cost, except for non monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

The assets and liabilities of foreign operations are translated to Canadian dollars using exchange rates prevailing at the end of the reporting period. Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising from the translation process of net investments in foreign operations are recognized as foreign currency translation adjustments in other comprehensive loss under investments revaluation reserve and accumulated in equity.

**p) Assets held for sale**

Assets and liabilities held for disposal are no longer depreciated and are presented separately in the statement of financial position at the lower of their carrying amount and fair value less costs to sell. An asset is regarded as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable.

## 4. Critical accounting judgments and key sources of estimation uncertainty

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

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

**a) Going concern**

The Corporation's ability to continue as a going concern is dependent on securing additional and immediate financing and on achieving and maintaining profitable operations. Management has to assess the outcome of these matters when preparing the Corporation’s consolidated financial statements. The Corporation’s current level of operations is not sufficient to cover its expenses and ongoing commitments, resulting in the negative cash flows generated from its operating activities. The Corporation's ability to generate positive cash flows from its operating activities is dependent on achieving and maintaining profitable operations. Since inception, the Corporation has been able to finance its activities and operate on a going concern basis through issuances of shares, stock warrants, convertible notes, convertible debentures and demand loans. However, there is no guarantee that such financing will be available going forward (refer to note 1).

**b) Tax credits on research and development expenses**

The Corporation’s receivables include refundable 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.

**c) 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. Management relies on past experience to make these estimates.

**d) Fair value of financial instruments**

Financial instruments are presented at fair value. In the absence of active markets in the evaluation of financial assets and financial liabilities, the Corporation relies on evaluation techniques based on inputs that are not based on observable market data which could cause the actual results to differ from the estimates.

**e) Recognition of deferred tax assets**

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

**f) Leases**

Recognising leases requires judgment and use of estimates and assumptions. Judgment is used to determine whether there is reasonable certainty that a lease extension or cancellation option will be exercised. Furthermore, management estimates are used to determine the lease terms and the appropriate interest rate to establish the lease liability.

## 5. Short-term investments

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| | $ | |
| Guaranteed investment certificates, bearing between 1.20% and 2% (March 31, 2019 - 1.20% and 2.20%) and maturing between March 6 and May 21, 2021 (March 31, 2019 - November 30, 2019 and January 22, 2020) | 1,301,665 | 555,712 |

Guaranteed investment certificates other than guaranteed investment certifications pledged as security are cashable without any penalties and therefore are presented as "current" in the statement of financial position.

The following table presents a reconciliation of changes in short-term investments for the year ended March 31, 2020:

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| | $ | |
| **Balance, beginning of year** | **555,712** | **85,984** |
| Acquisition | 1,500,000 | 500,000 |
| Proceeds from disposals | (725,060) | (36,001) |
| Interest earned | 2,133 | 5,729 |
| Long term portion | (31,120) | - |
| **Balance, end of year** | **1,301,665** | **555,712** |

## 6. Accounts receivable

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| | $ | |
| Customers | 64,627 | 41,648 |
| Tax credits on research and development expenses | 110,310 | 135,559 |
| Government grant | 28,800 | 46,663 |
| Demand loan bearing annual interest rate of 4% (note 21) | 42,854 | 44,809 |
| Sales commissions advance, no interest bearing (note 21) | 20,841 | 20,841 |
| Advance bearing annual interest rate of 4% | - | 70,000 |
| Sales taxes | 74,800 | 25,396 |
| Deposits | 1,450 | 1,350 |
| Others | - | 4,271 |
| | 343,682 | 390,537 |

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

As at March 31, 2020 and March 31, 2019, certain customers' balances became past due. These receivables were mainly from long-standing customers who had not as of yet defaulted and had not suffered any changes in their financial condition or whose payments were received after year end. The aging of these accounts is as follows:

| | As at | |
|---|---|---|
| | March 31, 2020 | March 31, 2019 |
| | $ | |
| 0 to 30 days | 31,246 | 41,648 |
| 31 to 60 days | 20,527 | - |
| 61 to 90 days | 7,263 | - |
| 91 days or more | 16,591 | - |
| | 75,627 | 41,648 |

The allowance for expected credit represents the Corporation's estimates of incurred losses arising from the failure or inability of customers to make payments when due. The expected credit losses is reported under "Selling and administrative". During the years ended March 31, 2020 and March 31, 2019, the allowance for expected losses is as follows:

| | Year ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | $ | |
| **Balance, beginning of year** | **21,608** | **21,608** |
| Write-off amount for an associate | (21,608) | - |
| Amount receivable from a customer | 11,000 | - |
| **Balance, end of year** | **11,000** | **21,608** |

**7. Investments**

| | Number of companies | As at March 31, 2020 | 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 | none (March 31, 2019 - 1) | - | - |
| Guaranteed investment certificate, bearing interest at 2,22% and maturing on July 15, 2021 | | 31,120 | - |
| | | 31,120 | 10,000 |

Guaranteed investment certificates in the amount of $30,000 (March 31, 2019 - $50,000) are pledged as security for an account payable of $14,800 (March 31, 2019 - $26,451).

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 year ended March 31, 2020, is explained by the disposal of all of the shares of one publicly traded company.

During the year ended March 31, 2020, SARL Diagnos Medical, an associate, was dissolved. The dissolution did not have an impact on the consolidated financial statements.

As at March 31, 2020, the Corporation holds 200,000 common shares of Threegold Resources Inc. ("Threegold"). Since May 2014, the common shares of Threegold are suspended from trading. As such, there is currently no active market for this investment and therefore it is valued at $0.

The following table discloses changes in investments:

| | Number of companies as at March 31, 2020 | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|---|
| | | $ | |
| **Balance, beginning of year** | 6 | **10,000** | **476,803** |
| Acquisition of guaranteed investment certificate | | 31,120 | - |
| Proceeds from disposal of shares of an associate and traded company | (2) | (10,450) | (437,844) |
| Net change in fair value | | 450 | (28,959) |
| **Balance, end of year** | **4** | **31,120** | **10,000** |

## 8. Capital assets

The following tables disclose a reconciliation of changes in capital assets:

| | Year ended March 31, 2020 | | | |
|---|---|---|---|---|
| | Office furniture and equipments | Computer and Medical equipments | Right-of-use assets | Total |
| | | $ | | |
| **Cost, beginning of year** | **59,918** | **1,128,328** | **-** | **1,188,246** |
| Additions | - | 15,129 | 47,125 | 62,254 |
| Disposals | - | (12,532) | - | (12,532) |
| **Cost, end of year** | **59,918** | **1,130,925** | **47,125** | **1,237,968** |
| **Accumulated depreciation, beginning of year** | **57,534** | **1,026,493** | **-** | **1,084,027** |
| Depreciation | 899 | 85,533 | 15,288 | 101,720 |
| Disposals | - | (12,532) | - | (12,532) |
| **Accumulated depreciation, end of year** | **58,433** | **1,099,494** | **15,288** | **1,173,215** |
| **Net carrying value at end of year** | **1,485** | **31,431** | **31,837** | **64,753** |

| | Year ended March 31, 2019 | | | |
|---|---|---|---|---|
| | Office furniture and equipments | Computer and Medical equipments | Leasehold improvements | Total |
| | | $ | | |
| **Cost, beginning of year** | **64,435** | **1,102,322** | **-** | **1,166,757** |
| Additions | 1,425 | 40,858 | - | 42,283 |
| Disposals | (5,942) | (14,852) | - | (20,794) |
| **Cost, end of year** | **59,918** | **1,128,328** | **-** | **1,188,246** |
| **Accumulated depreciation, beginning of year** | **58,240** | **851,783** | **-** | **910,023** |
| Depreciation | 1,001 | 189,562 | - | 190,563 |
| Disposals | (1,707) | (14,852) | - | (16,559) |
| **Accumulated depreciation, end of year** | **57,534** | **1,026,493** | **-** | **1,084,027** |
| **Net carrying value at end of year** | **2,384** | **101,835** | **-** | **104,219** |

During the year ended March 31, 2020, the Corporation acquired computer equipment for an amount of $18,900 (March 31, 2019 - $47,063) which was financed, in part, by a government grant of $7,560.

## 9. Accounts payable and accrued liabilities

| | As at | |
|---|---|---|
| | March 31, 2020 | March 31, 2019 |
| | $ | |
| Accounts payable and accrued liabilities | 67,813 | 143,413 |
| Interests payable and accrued | 7,303 | 462,672 |
| Salaries and benefits | 192,001 | 112,592 |
| Sales and withholding taxes | 5,940 | 48,163 |
| | 273,057 | 766,840 |

During the year ended March 31, 2020, the Corporation settled $540,524 of interests payable and accrued by the issuance of shares (note 11 and 12) and realized a gain on settlement of $38,609.

As at March 31, 2020 and March 31, 2019, certain suppliers' balances became past due. The aging of these payables is as follows:

| | As at | |
|---|---|---|
| | March 31, 2020 | March 31, 2019 |
| | $ | |
| 0 to 30 days | 66,588 | 142,390 |
| 31 to 60 days | 1,225 | - |
| 61 to 90 days | - | 1,023 |
| | 67,813 | 143,413 |

## 10. Loans

| | As at | |
|---|---|---|
| | March 31, 2020 | March 31, 2019 |
| | $ | |
| Unsecured non-convertible loans | 125,000 | - |

During the quarter ended December 31, 2019, the Corporation entered into one unsecured non-convertible loan agreement ("2020-Q3 Loan") for an amount of $400,000. The 2020-Q3 Loan bears no interest and is repayable by the Corporation at the earliest of (i) the closing date of a future round of financing of at least $3,000,000, or (ii) May 26, 2020. As part of the 2020-Q3 Loan, the Corporation has granted a total of 3,076,922 bonus stock warrants entitling the lender to purchase 3,076,922 common shares of the Corporation (each a "Share") at a price of $0.13 per Share for a period of twelve months ending November 26, 2020. The fair value of the stock warrants has been established at $0.033 per warrant, or $100,766 in aggregate, using the Black-Scholes option pricing model with the following weighted average assumptions:

| | | | |
|---|---|---|---|
| Expected life: | 1 year | Risk-free interest rate: | 1.59% |
| Liquidity discount: | 25% | Volatility: | 100.18% |

On February 14, 2020, the Corporation proceeded with the repayment of the 2020-Q3 Loan through a shares for debt transaction pursuant to which 2,222,222 common shares of the Corporation were issued at a deemed price of $0.18 and realised a loss of $155,556.

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. The 2020-Q1 Loans bear interest at an annual rate of 6% with a maturity date of 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 common shares of the Corporation (each a "Share") at a price of $0.35 per Share for a period of twelve months ending June 17, 2020. 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% |

During the quarter ended March 31, 2020, one loan in the amount of $125,000 was repaid in full. The other two 2020-Q1 Loans have been extended at an annual rate of 8% with a maturity date of December 16, 2020.

The expected volatility was calculated on the Corporation's share prices over the last year.

The following table presents a reconciliation of changes in loans for the year ended March 31, 2020:

| | Year ended March 31, 2020 |
|---|---|
| | $ |
| **Balance, beginning of year** | **-** |
| Proceeds from unsecured non-convertible loans | 650,000 |
| Conversion of loan into common shares | (400,000) |
| Value of warrants | (122,704) |
| Accretion | 122,704 |
| Repayment | (125,000) |
| **Balance, end of year** | **125,000** |

## 11. Convertible notes

| | | As at | |
|---|---|---|---|
| | | March 31, 2020 | March 31, 2019 |
| | Number | $ | |
| Unsecured convertible promissory notes | 3 (March 31, 2019 - 20) | 150,000 | 1,000,000 |
| Fair value discount | | (5,874) | (115,259) |
| Issue expenses | | (629) | (4,195) |
| | | 143,497 | 880,546 |
| Convertible promissory notes - short term | | 143,497 | - |
| Convertible promissory notes - long term | | - | 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 (each a “Share”) were issued.

During the quarter ended December 31, 2018, the Corporation issued 90,000 common shares in payment for a debt of $45,000 related to interest payable on unsecured convertible notes amounting to $900,000 (see note 14). As at March 31, 2019, interests amounting to $5,000 were in default of payment. On May 28, 2019, the Corporation proceeded with the payment of the interests in default of $5,000.

During the quarter ended December 31, 2017, as part of a private placement, the Corporation issued $1,000,000 worth of unsecured convertible and redeemable notes (each a “Q3-2018 Note”). The Q3-2018 Notes bear interest at an annual rate of 10%, and will mature on October 13 and 23, 2020 (the “Maturity Date”). At the sole option of the Q3-2018 Note holders, the principal amount of the Q3-2018 Notes may be converted at any time, in whole or in part, into common shares of the Corporation (each a “Share”) at a price of $1.60 per Share. Any accrued interest on the principal, at the time of conversion, will be immediately payable in cash. If, at any time after the first anniversary of the Q3-2018 Note and until maturity, the volume weighted average price of the Shares on the TSX Venture Exchange is equal to or higher than $2.80 for 20 consecutive trading days, the Q3-2018 Notes shall be redeemable, in whole or in part, at the sole option of the Corporation, into Shares of the Corporation at a price of $1.60 per Share. Any accrued interest on the principal, at time of redemption, will be immediately payable in cash.

The following table presents a reconciliation of changes in convertible notes for the years ended March 31, 2020 and March 31, 2019:

| | Year ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | $ | |
| **Balance, beginning of year** | **880,546** | **829,910** |
| Accretion | 18,793 | 50,636 |
| Redemption through the issuance of common shares | (789,286) | - |
| Loss on settlement of debt | 33,444 | - |
| **Balance, end of year** | **143,497** | **880,546** |

**12. Convertible debentures**

| | As at | |
|---|---|---|
| | March 31, 2020 | 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 compounded interest of $197,523 and accrued interest of $490,204, for an aggregate amount of $5,627,727, and in payment thereof, 16,079,205 common shares of the Corporation (each a “Share”) were issued.

During the quarter ended September 30, 2018, as part of a private placement, the Corporation issued for $800,000 worth of senior secured convertible debentures (each a “Q2-2019 Debenture”). The Q2-2019 Debentures bear interest at an annual rate of 10%, and will mature on July 4, 2021 (the “Maturity Date”). At the sole option of the Q2-2019 Debenture holders, the principal amount of the Q2-2019 Debentures may be converted at any time, in whole or in part, into common shares of the Corporation (each a “Share”) at a price of $1.00 per Share. Any accrued interest on the principal, at the time of conversion, will be immediately payable in cash. If, at any time after the first anniversary of the Q2-2019 Debenture and until maturity, the volume weighted average price of the Shares on the TSX Venture Exchange is equal to or higher than $1.80 for 20 consecutive trading days, the Q2-2019 Debentures shall be redeemable, in whole or in part, at the sole option of the Corporation, into Shares of the Corporation at a price of $1.00 per Share. Any accrued interest on the principal, at time of redemption, will be immediately payable in cash. As part of the private placement, 320,000 stock warrants (each a “Warrant”) were issued to the Q2-2019 debenture holders entitling the holder to purchase one Share of the Corporation per Warrant at a price of $1.50 per Share for a period of 18 months from the date of issuance.

The fair value of the Q2-2019 Debentures has been established at $557,806 using the discounted cash flows valuation method with the following weighted average assumptions:

| | | | |
|---|---|---|---|
| Maturity: | 3 years | Nominal interest rate: | 10% |
| Interest payment frequency: | 2 per year | Effective interest rate: | 26.46% |

Of the difference of $242,194 between the nominal value of the Debentures, $800,000, and its fair value of $557,806, an amount of $170,775 (net of deferred tax liability of $62,206) has been allocated to the conversion options and an amount of $6,753 (net of deferred tax liability of $2,460) has been allocated to the stock warrants prorated based on their respective fair values using the Black-Scholes option pricing model with the following weighted average assumptions:

Stock warrants:

| | | | |
|---|---|---|---|
| Expected life: | 18 months | Risk-free interest rate: | 2.03% |
| Liquidity discount: | 25% | Volatility: | 69.19% |

Conversion options:

| | | | |
|---|---|---|---|
| Expected life: | 3 years | Risk-free interest rate: | 2.03% |
| Liquidity discount: | 25% | Volatility: | 82.09% |

During the quarter ended June 30, 2017, as part of a private placement, the Corporation issued for $2.61 million worth of senior secured convertible debentures (each a “Q1-2018 Debenture”). The Q1-2018 Debentures bear interest at an annual rate of 10%.

During the year ended March 31, 2018, Debentures in the amount of $90,000 were converted to common shares at a conversion price of $0.60 (March 31, 2017 - $670,000 at a conversion price of $1.00) and, as a result, Debentures in the amount of $1,530,000 remain outstanding as at period end.

The following table presents a reconciliation of changes in convertible debentures for the years ended March 31, 2020 and March 31, 2019:

| | Year ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | $ | |
| **Balance, beginning of year** | **4,566,791** | **3,635,330** |
| Proceeds from private placement | - | 800,000 |
| Fair value discount | - | (242,194) |
| Accretion | 78,471 | 382,496 |
| Compounded interest | - | 18,003 |
| Issue expenses | - | (26,844) |
| Redemption through the issuance of common shares | (4,770,557) | - |
| Loss on settlement of debt | 125,295 | - |
| **Balance, end of year** | **-** | **4,566,791** |

## 13. Leases

| | As at | |
|---|---|---|
| | March 31, 2020 | March 31, 2019 |
| | $ | |
| Finance leases | 35,485 | 73,443 |
| Lease fair value discount | (243) | (2,047) |
| Lease liabilities related to right-of-use assets | 33,813 | - |
| | 69,055 | 71,396 |
| Leases - short term | 35,313 | 39,349 |
| Leases - long term | 33,742 | 32,047 |

The Corporation has two lease related to web hosting facility leasing used to render services. The minimum monthly payments amount to $574 and $773 for a term of 36 months ending in November 2021 and January 2023 respectively.

On September 30, 2019, the operating lease agreement for the Corporation's main offices expired. The Corporation is currently using the same office space on a month-to-month rent basis.

During the quarter ended December 31, 2018, the Corporation entered into one lease agreement for computer equipment. The minimum monthly payment amount to $1,410 for a term of 36 months ending in December 2021.

The following table presents a reconciliation of changes in leases for the years ended March 31, 2020 and March 31, 2019:

| | Year ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| | $ | |
| **Balance, beginning of year** | **71,396** | **48,827** |
| Leases | 47,125 | 47,063 |
| Payments | (57,151) | (28,926) |
| Accretion | 7,685 | 4,432 |
| **Balance, end of year** | **69,055** | **71,396** |

The net carrying value of computer and medical equipment under lease liabilities amounted to $16,122 as at March 31, 2020 ($41,500 as at March 31, 2019).

Contractual discounted payments under lease liabilities are as follows:

| | March 31, 2020 |
|---|---|
| | $ |
| Within one year | 33,160 |
| 1 to 2 years | 22,646 |
| 2 to 5 years | 5,138 |
| After 5 years | - |
| **Total** | **60,944** |

The following table discloses other amounts recognized in profit or loss:

| | March 31, 2020 |
|---|---|
| | $ |
| Interest expense on lease liabilities | 7,683 |
| Expense relating to short-term leases | 6,883 |
| Expense relating to leases for which the underlying asset is of low value | 5,582 |
| Expense relating to variable lease payments not included in lease liabilities | 111,682 |
| | **131,830** |

**14. Share capital**

Share capital is composed of common shares without par value of which 61,366,004 are issued and outstanding as at March 31, 2020 (March 31, 2019 – 21,293,129). All the 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.

On April 24, 2019, the Corporation completed a one for ten share consolidation. As such, all references to common shares, warrants and stock options in these consolidated financial statements have been adjusted to reflect the share consolidation.

The following table presents the changes to share capital which have occurred during the year ended March 31, 2020:

| | Number of common shares | $ |
|---|---|---|
| **Balance, beginning of year** | **21,293,129** | **23,698,314** |
| Payment of interests in shares (note 9) | 1,544,354 | 501,915 |
| Redemption of convertible notes (note 11) | 2,428,571 | 789,286 |
| Redemption of convertible debentures (note 12) | 14,678,622 | 4,770,557 |
| Shares for debt (note 10) | 2,222,222 | 555,556 |
| Private placements | 19,199,106 | 3,511,865 |
| Issue expenses | - | (147,112) |
| Value of warrants | - | (13,750) |
| **Balance, end of year** | **61,366,004** | **33,666,631** |

The following table presents the changes to share capital which have occurred during the year ended March 31, 2019:

| | Number of common shares | $ |
|---|---|---|
| **Balance, beginning of year** | **17,242,129** | **21,881,166** |
| Private placement of rights, net of issue expenses | 3,961,000 | 1,772,148 |
| Interests paid in common shares (note 11) | 90,000 | 45,000 |
| **Balance, end of year** | **21,293,129** | **23,698,314** |

**Capital management**

The Corporation closely manages its capital structure in conjunction with economic conditions in order to produce adequate returns on investments to its Shareholders. The key capital performance measures of the Corporation reside in its capability to meet its financial obligations and to invest in the development of its technology to stay competitive and continue as a going concern.

The Corporation's objectives when managing capital are to:

- Maintain financial flexibility in order to preserve its ability to meet financial obligations;
- Deploy capital to provide an appropriate investment return to its shareholders; and
- Maintain a capital structure that allows multiple financing options to the Corporation.

The Corporation defines its capital as follows:

- Equity;
- Long term loans, notes and debentures;
- Cash; and
- Investments.

In order to maintain or adjust its capital structure, the Corporation may issue shares, issue warrants, issue stock options, issue debt and sell assets.

During the year ended March 31, 2020, the Corporation's strategy remained unchanged from the previous year.

**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.

On September 20, 2019, the disinterested shareholders of the Corporation approved the increase of 4,000,000 to the maximum number of stock options which the Corporation is authorized to issue, bringing the maximum number of stock options which the Corporation is authorized to issue to 6,000,000.

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 may not exceed 10% of the common shares issued and outstanding on the grant date. As at March 31, 2020, the outstanding number of stock options available for issuance was 1,291,909 (March 31, 2019 – 52,641).

The following table presents the changes which have occurred for the years ended March 31, 2020 and March 31, 2019, with respect to stock options.

| | Year ended March 31, 2020 | | Year ended March 31, 2019 | |
|---|---|---|---|---|
| | Number of stock options | Weighted-average exercise price ($) | Number of stock options | Weighted-average exercise price ($) |
| **Outstanding, beginning of year** | **1,635,268** | **0.87** | **1,242,668** | **1.01** |
| Granted | 3,185,000 | 0.21 | 707,000 | 0.64 |
| Forfeited | (133,000) | 0.82 | (262,000) | 0.75 |
| Expired | (291,268) | 0.90 | (52,400) | 1.02 |
| **Outstanding, end of year** | **4,396,000** | **0.39** | **1,635,268** | **0.87** |

The stock-based compensation expense of $133,515 for the year ended March 31, 2020 (year ended March 31, 2019 - $224,208) arising from stock options granted to directors, key employees and consultants has been amortized according to the graded vesting method and is reported under “Selling and administrative” expenses in the consolidated statements of loss and comprehensive loss. The stock-based compensation expense for consultants amounted to $1,160 (March 31, 2019 – $41,100).

The weighted-average fair value of each stock option grant is estimated at $0.06 for the year ended March 31, 2020 (March 31, 2019 - $0.30) and is calculated using the Black - Scholes option pricing model with the following weighted average assumptions:

| | | | |
|---|---|---|---|
| Expected life: | 5 years (March 31, 2019 – 5 years) | Risk-free interest rate: | 0.59% to 1.46% (March 31, 2019 – 1.60% to 2.20%) |
| Dividend yield: | 0% (March 31, 2019 – 0%) | Expected Volatility: | 93.01% to 93.10% (March 31, 2019 – 94.32% to 96.54%) |
| Average exercise price at date of grant: | $0.21 (March 31, 2019 - $0.60) | Average share price at date of grant: | $0.13 (March 31, 2019 - $0.60) |

The expected volatility was calculated on the Corporation’s share prices over the last 5 years.

The following table summarizes information on stock options outstanding as at March 31, 2020 and March 31, 2019:

| | Options outstanding as at March 31, 2020 | | | Options exercisable as at March 31, 2020 | |
|---|---|---|---|---|---|
| **Exercise price ($)** | **Number of options outstanding** | **Weighted- average remaining contractual life (in years)** | **Weighted-average exercise price ($)** | **Number of options exercisable** | **Weighted- average exercise price ($)** |
| 0.01 - 0.50 | 3,464,000 | 4.5 | 0.23 | 500 | 0.50 |
| 0.51 - 1.00 | 567,000 | 2.4 | 0.73 | 415,500 | 0.73 |
| 1.01 - 1.50 | 315,000 | 2.5 | 1.30 | 315,000 | 1.30 |
| 1.51 - 2.00 | 50,000 | 1.8 | 1.60 | 50,000 | 1.60 |
| | 4,396,000 | 4.1 | 0.39 | 781,000 | 1.01 |

| | Options outstanding as at March 31, 2019 | | | Options exercisable as at March 31, 2019 | |
|---|---|---|---|---|---|
| **Exercise price ($)** | **Number of options outstanding** | **Weighted- average remaining contractual life (in years)** | **Weighted-average exercise price ($)** | **Number of options exercisable** | **Weighted- average exercise price ($)** |
| 0.01 - 1.00 | 1,170,268 | 3.5 | 0.69 | 370,602 | 0.77 |
| 1.01 - 2.00 | 465,000 | 3.4 | 1.33 | 240,833 | 1.34 |
| | 1,635,268 | 3.4 | 0.87 | 611,435 | 1.00 |

## 15. Reserve

| | Year ended March 31, 2020 | | | |
|---|---|---|---|---|
| | Stock warrants | Conversion options | Stock options | Total |
| | | $ | | |
| **Balance, beginning of year** | **4,203,995** | **1,227,456** | **2,737,777** | **8,169,228** |
| Private placement | 50,538 | - | - | 50,538 |
| Loans | 122,704 | - | - | 122,704 |
| Issue expenses | (2,200) | - | (5,484) | (7,684) |
| Stock-based compensation | - | - | 133,515 | 133,515 |
| **Balance, end of year** | **4,375,037** | **1,227,456** | **2,865,808** | **8,468,301** |

| | Year ended March 31, 2019 | | | |
|---|---|---|---|---|
| | Stock warrants | Conversion options | Stock options | Total |
| | | $ | | |
| **Balance, beginning of year** | **3,951,170** | **1,067,893** | **2,513,569** | **7,532,632** |
| Private placement | 258,053 | 170,775 | - | 428,828 |
| Issue expenses | (5,228) | (11,212) | - | (16,440) |
| Stock-based compensation | - | - | 224,208 | 224,208 |
| **Balance, end of year** | **4,203,995** | **1,227,456** | **2,737,777** | **8,169,228** |

**Stock warrants**

During the quarter ended March 31, 2020, in connection with the financings, the Corporation issued 392,169 broker warrants, as part of a commission arrangement with the brokers involved with the private placements, entitling the holders to purchase (i) 354,169 common shares (each a "Share") of the Corporation at a price of $0.20 per Share for a period of twenty-four months ending February 11, 2022 and (ii) 38,000 common shares (each a "Share") of the Corporation at a price of $0.23 per Share for a period of twenty-four months ending March 9, 2022. The total amount allocated to the warrants has been established at $33,222 and $3,566 respectively.

During the quarter ended December 31, 2019, in connection with the financing described in note 10 above for the same period, the Corporation issued 3,076,922 stock warrants entitling the lender to purchase 3,076,922 common shares (each a "Share") of the Corporation at a price of $0.13 per Share for a period of twelve months ending November 26, 2020. The total amount allocated to the warrants has been established at $100,766 as described in note 10.

During the quarter ended September 30, 2019, in connection with the financing, the Corporation issued 2,750,000 stock warrants entitling the holders to purchase 2,750,000 common shares (each a "Share") of the Corporation at a price of $0.25 per Share for a period of eighteen months ending March 16, 2021. The total amount allocated to the warrants has been established at $13,750.

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 lenders 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 ending June 17, 2020. The total amount allocated to the warrants has been established at $21,938 as described in note 10.

During the quarter ended December 31, 2018, in connection with the financings, the Corporation issued 3,731,000 stock warrants entitling the holders to purchase (i) 1,000,000 common shares (each a "Share") of the Corporation at a price of $0.70 per Share for a period of 18 months ending May 1, 2020, (ii) 2,066,000 common shares (each a "Share") of the Corporation at a price of $0.50 per Share for a period of twenty-four months ending November 9, 2020 and (iii) 665,000 common shares (each a "Share") of the Corporation at a price of $0.60 per Share for a period of 18 months ending June 12, 2020. The total amount allocated to the warrants has been established at $0, $103,300 and $133,000 respectively.

During the quarter ended September 30, 2018, in connection with the financing described in note 12 above for the same period, the Corporation issued 320,000 stock warrants entitling the holders to purchase 320,000 common shares (each a “Share”) of the Corporation at a price of $1.50 per Share for a period of 18 months ending January 4, 2020. The total amount allocated to the warrants has been established at $6,753.

During the quarter ended September 30, 2018, in connection with the financing, the Corporation issued 230,000 stock warrants entitling the holders to purchase (i) 80,000 common shares (each a “Share”) of the Corporation at a price of $1.00 per Share for a period of 18 months ending December 14, 2019 and (ii) 150,000 common shares (each a “Share”) of the Corporation at a price of $1.00 per Share for a period of 18 months ending March 11, 2020. The total amount allocated to the warrants has been established at $0 and $15,000 respectively.

The following table presents the changes to stock warrants which have occurred during the years ended March 31, 2020 and March 31, 2019:

| | **Year ended March 31, 2020** | | **Year ended March 31, 2019** | |
|---|---|---|---|---|
| | Number of stock warrants | Weighted average exercise price ($) | Number of stock warrants | Weighted average exercise price ($) |
| **Balance, beginning of year** | **4,381,000** | **0.70** | **622,000** | **2.20** |
| Private placement | 3,142,168 | 0.24 | 4,281,000 | 0.66 |
| Loans | 3,326,922 | 0.15 | - | - |
| Expired | (650,000) | 1.43 | (522,000) | 2.20 |
| **Balance, end of year** | **10,200,090** | **0.33** | **4,381,000** | **0.70** |

## 16. Financial instruments and risk management

### a) Presentation

**As at March 31, 2020**

| | Amortized cost | | Fair value through other comprehensive income | | Total | |
|---|---|---|---|---|---|---|
| | Fair value | Book value | Fair value | Book value | Fair value | Book value |
| | | | $ | | | |
| **Financial assets** | | | | | | |
| Cash | 570,442 | 570,442 | | | 570,442 | 570,442 |
| Short-term investments | 1,301,665 | 1,301,665 | | | 1,301,665 | 1,301,665 |
| Accounts receivable | 158,572 | 158,572 | | | 158,572 | 158,572 |
| Investments | 31,120 | 31,120 | | | 31,120 | 31,120 |
| **Financial liabilities** | | | | | | |
| Accounts payable and accrued liabilities | 75,116 | 75,116 | | | 75,116 | 75,116 |
| Loans | 125,000 | 125,000 | | | 125,000 | 125,000 |
| Convertible Notes | 143,497 | 143,497 | | | 143,497 | 143,497 |

**As at March 31, 2019**

| | Amortized cost | | Fair value through other comprehensive income | | Total | |
|---|---|---|---|---|---|---|
| | Fair value | Book value | Fair value | Book value | Fair value | Book value |
| | | | $ | | | |
| **Financial assets** | | | | | | |
| Cash | 138,242 | 138,242 | | | 138,242 | 138,242 |
| Short-term investments | 555,712 | 555,712 | | | 555,712 | 555,712 |
| Accounts receivable | 229,582 | 229,582 | | | 229,582 | 229,582 |
| Investments - shares | | | 10,000 | 10,000 | 10,000 | 10,000 |
| **Financial liabilities** | | | | | | |
| Accounts payable and accrued liabilities | 606,085 | 606,085 | | | 606,085 | 606,085 |
| Convertible Notes | 880,546 | 880,546 | | | 880,546 | 880,546 |
| Convertible Debentures | 4,566,791 | 4,566,791 | | | 4,566,791 | 4,566,791 |

**b) Fair value hierarchy**

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:

| | | | | **As at March 31, 2020** |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total financial assets at fair value** |
| | | | $ | |
| Financial assets | | | | |
| Short-term investments | 1,301,665 | - | - | 1,301,665 |
| Investments | 31,120 | - | - | 31,120 |
| Total financial assets | 1,332,785 | - | - | 1,332,785 |

| | **Level 1** | **Level 2** | **Level 3** | **Total financial liabilities** |
|---|---|---|---|---|
| | | | $ | |
| Financial liabilities | | | | |
| Convertible notes | - | 143,497 | - | 143,497 |
| Total financial liabilities | - | 143,497 | - | 143,497 |

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

| | | | | **As at March 31, 2019** |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **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 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 $69,055 as at March 31, 2020 ($71,396 as at March 31, 2019) and estimated by discounting expected cash flows at rates currently offered to the Corporation for debts of the same remaining maturities and conditions.

**c) 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*

Cash as well as short-term investments are mainly risk-free or low-risk investments, such as cash and guaranteed term deposits held by recognized financial institutions. Consequently, management considers the credit risk related to cash and short-term investments to be low as at March 31, 2020 and March 31, 2019.

*Customers and demand loan*

The Corporation determines whether the credit risk of a financial asset has increased significantly since initial recognition considering reasonable and supportable information that is relevant and available without undue cost or effort, this includes both quantitative and qualitative information and analysis, based on the historical experience and informed assessment and including forward-looking information.

The Corporation assumes that the credit risk on financial asset has increased significantly if it is more than 90 days past due.

The Corporation considers a financial asset to be in default when the customer is unlikely to the credit obligation to the Corporation in full, without recourse by the Corporation to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

As at March 31, 2020, 75% of accounts receivable from customers was attributable to six customers active in the healthcare industry (75% as at March 31, 2019, from two customers). It should be noted that given the specialization of the Corporation's market niche, it is most likely that such concentration risk is expected to continue. However, from one year to the next, it is rare that the same customers make up this concentration. Despite the concentration of its customers, the credit risk is mitigated through monitoring of its customers and the additional measures available to the Corporation, as previously described.

Additionally, as at March 31, 2020:

- 22% of the net accounts receivable are over 90 days old (0% as at March 31, 2019);
- accounts receivable from customers exceeding the normal payment terms of 30 days, for which an allowance in the amount of $11,000 was applied, represented 59% of the net accounts receivable from customers (0% as at March 31, 2019).

Management is reasonably assured that its receivables will be collected, with the exception of that provisioned for a client, and therefore considers the credit risk related to accounts receivable to be low as at March 31, 2020 and March 31, 2019.

### ii. Liquidity Risks

Liquidity risk is the risk that the Corporation cannot meet its obligations as they come due. On an ongoing basis, the Corporation monitors and manages its actual and projected cash flows, with the primary objectives of maintaining liquidity and financial flexibility. In addition, the Corporation's policy is to target contracts that will generate positive cash flows throughout their execution.

As at March 31, 2020, accounts payable, convertible notes, and leases that were due in the next 12 months totalled $409,267 including non-financial instruments (March 31, 2019 - $2,897,202). Considering the available liquidities to meet its short term obligations, the Corporation's exposure to liquidity risk as at March 31, 2020 is low (March 31, 2019 – 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.

The following are the contractual maturities of liabilities and commitments as at the end of the reporting date:

| | | | | As at March 31, 2020 |
|---|---|---|---|---|
| | **Less than one year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Overs 5 years** |
| Accounts payables and accrued liabilities | 75,116 | - | - | - |
| Loans | 132,500 | - | - | - |
| Convertible notes | 165,000 | - | - | - |
| Leases | 36,651 | 23,379 | 7,728 | - |
| | 409,267 | 23,379 | 7,728 | - |

| | | | | As at March 31, 2019 |
|---|---|---|---|---|
| | **Less than one year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Overs 5 years** |
| Accounts payables and accrued liabilities | 606,085 | - | - | - |
| Convertible notes | 100,000 | 1,100,000 | - | - |
| Convertible debentures | 2,151,219 | 2,820,142 | 839,890 | - |
| Leases | 39,898 | 22,785 | 14,105 | - |
| | 2,897,202 | 3,942,927 | 853,995 | - |

### 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. Other Price Risk

Other price risk refers to the adverse consequences of stock price changes on the Corporation's investments in shares. Investments in shares are currently mainly composed of shares of corporations traded on the TSX Venture Exchange. As at March 31, 2020, considering the value of investments in shares of $0 (March 31, 2019 – $10,000), a change of 50% in the market value of these shares would have no impact on the Corporation's expenses.

### v. 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. During the period, revenues and expenses arose from transactions occurring in Canadian dollars and other currencies.

The Corporation is exposed to fluctuations in the currency rates of five currencies (USD, AED, INR, MXN, PLN). Movements in foreign currencies against the Canadian dollar may impact revenues, the nominal amount of certain financial assets and financial liabilities, and negatively affect the Corporation's profit or loss.

As at March 31, 2020 and March 31, 2019, the following balances presented within the statement of financial position are denominated in a currency different from the functional currency used in each entities of the group and, as such, are exposed to exchange rate flutuation risk:

| | **As at** | |
|---|---|---|
| | **March 31, 2020** | **March 31, 2019** |
| | Amounts in CAD | |
| Bank account - USD | 13,978 | 13,656 |
| Accounts receivable - AED | 12,352 | 107 |
| Accounts receivable - EUR | - | 5 |
| Accounts receivable - USD | 32,510 | 33,658 |
| Accounts payable - AED | - | (2,761) |
| Accounts payable - INR | (273) | (239) |
| Accounts payable - PLN | - | (100) |
| Accounts payable - USD | (1,945) | (3,649) |
| | 56,622 | 40,677 |

Assuming that all other variables remain constant, a 10% increase or decrease in the exchange rate of the Canadian dollar, against other currencies, would not have a significant impact on the Corporation's net loss and equity for the years ended March 31, 2020 and 2019.

## 17. Expenses by nature

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| | $ | |
| Depreciation and amortization | 102,081 | 191,322 |
| Audit | 56,980 | 55,163 |
| Bad debt | 11,000 | - |
| Communications | 31,667 | 50,043 |
| Consulting fees | 853,015 | 585,139 |
| Equipment | 5,682 | 14,869 |
| Foreign exchange | 6,862 | 21,955 |
| Leasing | 125,606 | 123,001 |
| Legal fees | 18,071 | 29,665 |
| Marketing | 42,050 | 58,453 |
| Overhead | 101,787 | 145,358 |
| Remuneration | 1,760,195 | 1,940,150 |
| Tax credits | (110,311) | (135,559) |
| Travel and living | 123,180 | 176,882 |
| | 3,127,865 | 3,256,441 |

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| | $ | |
| Interest on debentures | 156,826 | 876,415 |
| Interest on notes | 47,684 | 150,498 |
| Interest on short term loans | 134,916 | - |
| Interest on lease liabilities | 7,683 | - |
| Other interest expense (revenue) | (3,225) | (1,482) |
| | 343,884 | 1,025,431 |

## 18. Income taxes

As at March 31, 2020 and March 31, 2019, income taxes recoverable are composed essentially of non-capital losses. Based on available information, it is not probable that income taxes recoverable on these amounts will be realized in the near future, therefore, no deferred tax asset was recorded in these consolidated financial statements.

Provision for income taxes:

| | Year ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | $ | |
| Income taxes | - | - |
| Provision for deferred income taxes | | |
| Deferred income taxes arising from the reversal of temporary differences | (819,633) | (869,692) |
| Un-recognized deferred tax assets on deductible temporary differences, tax credits and deferred tax losses | 819,633 | 805,026 |
| | - | (64,666) |
| Provision for income taxes | - | (64,666) |

Reconciliation of tax rates:

| | Year ended March 31, 2020 | | | |
|---|---|---|---|---|
| | Canada | Mexico | Others and consolidation | Total |
| | $ | | | |
| Net loss before income taxes | (3,348,305) | (96,586) | 62,018 | (3,382,873) |
| Statutory federal and provincial tax rates | 26.58% | 30.00% | 26.58% | 26.58% |
| Provision for income taxes calculated at statutory tax rates | (889,979) | (28,976) | 16,484 | (899,168) |
| Impacts of the following items: | | | | |
| Non-deductible items | 79,535 | - | - | 79,535 |
| Differences in statutory federal and provincial tax ratesIncome tax rates | - | - | - | (3,303) |
| Un-recognized deferred tax assets on deductible temporary differences, tax credits and deferred tax losses | 810,444 | 28,976 | (16,484) | 822,936 |
| | - | - | - | - |

| | Year ended March 31, 2019 | | | |
|---|---|---|---|---|
| | Canada | Mexico | Others and consolidation | Total |
| | $ | | | |
| Net loss before income taxes | (3,469,299) | (425,378) | (9,045) | (3,903,722) |
| Statutory federal and provincial tax rates | 26.68% | 30.00% | 26.68% | 27.04% |
| Provision for income taxes calculated at statutory tax rates | (925,609) | (127,613) | (2,413) | (1,055,635) |
| Impacts of the following items: | | | | |
| Non-deductible items | 478,353 | 21,007 | - | 499,360 |
| Non-taxable items | (294,328) | - | - | (294,328) |
| Un-recognized deferred tax assets on deductible temporary differences, tax credits and deferred tax losses | 676,918 | 83,226 | - | 760,144 |
| Others | - | 23,380 | 2,413 | 25,793 |
| | (64,666) | - | - | (64,666) |

Deferred tax assets and liabilities

Changes to deferred tax assets (liabilities) related to temporary differences and unused tax losses are as follows:

| | As at March 31, | | | |
|---|---|---|---|---|
| | **2019** | Equity | Recognized in net earnings | **2020** |
| | | | **$** | |
| Non capital losses | 242,325 | (240,602) | - | 1,723 |
| Convertible debentures | (197,251) | 197,251 | - | - |
| Convertible notes | (45,074) | 43,351 | - | (1,723) |
| | - | - | - | - |

Timing differences and unused tax losses for which no deferred tax has been recognized are as follow:

| | As at March 31, | | | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| | Canada | Mexico | Canada | Mexico |
| | | **$** | | |
| Operating losses carried forward | 20,351,054 | 1,129,653 | 16,983,632 | 1,201,095 |
| SR&ED expenditures | 6,189,015 | - | 5,872,501 | - |
| Capital assets and intangible assets | 172,253 | - | 252,698 | - |
| Issue expenses | 292,428 | - | 288,508 | - |
| | 27,004,750 | 1,129,653 | 23,397,339 | 1,201,095 |

Operating losses carried forward

As at March 31, 2020, the Corporation had operating tax losses available in Canada and Mexico for which no deferred assets were accounted for. The following table summarizes the expiry of the losses per fiscal jurisdiction:

| | Canada | Mexico | Total |
|---|---|---|---|
| | | **$** | |
| 2026 | 9,342 | 35,912 | 45,254 |
| 2027 | 177,251 | 223,541 | 400,792 |
| 2028 | 93,504 | 533,776 | 627,280 |
| 2029 | 1,585,387 | 251,201 | 1,836,588 |
| 2030 | 1,557,265 | 85,223 | 1,642,488 |
| 2031 | 854,107 | - | 854,107 |
| 2032 | 1,491,048 | - | 1,491,048 |
| 2033 | 1,314,504 | - | 1,314,504 |
| 2034 | 850,637 | - | 850,637 |
| 2035 | 1,948,091 | - | 1,948,091 |
| 2036 | 1,972,657 | - | 1,972,657 |
| 2037 | 1,496,200 | - | 1,496,200 |
| 2038 | 1,885,531 | - | 1,885,531 |
| 2039 | 2,660,713 | - | 2,660,713 |
| 2040 | 2,454,817 | - | 2,454,817 |
| | 20,351,054 | 1,129,653 | 21,480,707 |

As at March 31, 2020, the Corporation also has investment tax credits totalling $1,914,982 (March 31, 2019 - $1,834,192) available to offset future Canadian federal income taxes payable. The potential benefit of the investment tax credits has not been recognized in the accounts.

**19. Net change in operating working capital items**

The changes in working capital items are as follows:

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| | $ | |
| Decrease in accounts receivable | 46,855 | 210,595 |
| Decrease (increase) in prepaid expenses | (113,854) | 14,113 |
| Increase in accounts payable and accrued liabilities, net of payment in shares | 46,741 | 151,868 |
| Decrease in deferred revenue | - | (27,726) |
| | (20,258) | 348,850 |

**20. 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:

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| | $ | |
| Canada | 180,434 | 169,641 |
| United States of America | 83,001 | 74,990 |
| United Arab Emirates | 48,004 | 18,638 |
| Bangladesh | 13,249 | - |
| Saudi Arabia | 4,182 | 5,243 |
| Costa Rica | 2,647 | - |
| Kenya | - | 56,201 |
| Others | - | 1,756 |
| | 331,517 | 326,469 |

68% of revenues from Canada, for the year ended March 31, 2020, were attributable to data interpretation consulting services rendered to one company active in the mining sector (March 31, 2019 - 61%). 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.

As at March 31, 2020 and March 31, 2019, capital assets are located in Mexico and Canada:

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| | $ | |
| Canada | 59,693 | 52,459 |
| Mexico | 5,060 | 51,760 |
| | 64,753 | 104,219 |

## 21. 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 years ended March 31, 2020 and March 31, 2019:

| | Year ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | $ | |
| Base salary | 520,000 | 520,000 |
| Stock-based compensation | 90,005 | 115,372 |
| Incentives | 60,000 | 70,000 |
| Sales commissions | - | 1,380 |
| Interest on demand loan | 1,940 | 1,940 |
| Payment of interest on demand loan | (1,940) | (1,940) |
| | 670,005 | 706,752 |

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

| | As at | |
|---|---|---|
| | March 31, 2020 | March 31, 2019 |
| | $ | |
| Demand loan receivable, annual interest rate of 4% | 42,854 | 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) |

The outstanding balances with key management personnel varied as follows:

| | Year ended March 31, 2020 | | | |
|---|---|---|---|---|
| | Demand loan receivable, annual interest of 4% | Sales commissions advance, no interest | Convertible debentures, annual interest of 10% | Convertible notes, annual interest of 10% |
| | $ | | | |
| **Balance, beginning of year** | **44,809** | **20,841** | **(30,000)** | **(500,000)** |
| Repayment | (1,955) | - | - | - |
| Redemption in shares | - | - | 30,000 | 500,000 |
| **Balance, end of year** | **42,854** | **20,841** | **-** | **-** |

**22. 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 June 30, 2020.

During the year ended March 31, 2020, when the terms attached to the grant were complied with, the grant in the amount of $64,564 (March 31, 2019 - $62,521) was recognized in these consolidated financial statement as follows: $57,004 in "Other income" (March 31, 2019 - $52,308) and $7,560 by deducting the grant in arriving at the carrying amount of the asset (March 31, 2019 - $10,212).

In accordance with federal financial relief programs for the COVID-19 pandemic, the Corporation recognized an amount of $28,800 for the Canada Emergency Wage Subsidy (CEWS) during the quarter ended March 31, 2020.

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

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

**Transfer Agents and Registrar**
Computershare Trust Company of Canada

**Auditor**
Raymond Chabot Grant Thornton LLP