DIAGNOS Inc.

Interim Management Discussion & Analysis – Quarterly Highlights

Three-month period ended June 30, 2023

Description and objective

This Interim Management Discussion and Analysis – Quarterly Highlights ("MD&A") provides a short discussion of all material information about operations, liquidity and capital resources of DIAGNOS Inc. and its subsidiaries ("DIAGNOS", the "Corporation" or "We") as at June 30, 2023 and for the three-month period ended June 30, 2023. It should be read in conjunction with the June 30, 2023 interim condensed consolidated financial statements and accompanying notes. This MD&A complements and supplements the Corporation's financial statements, but does not form part of the Corporation's financial statements.

The currency used is the Canadian dollar unless otherwise stated.

Date of information

This MD&A is dated August 24, 2023 and was approved by the Board of Directors of the Corporation on the same date.

Forward-looking statements

This MD&A contains certain forward-looking statements with respect to the Corporation. By their nature, these forward-looking statements necessarily imply risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. These risks and uncertainties include risks associated with the going concern assumption, market acceptance, competitive developments, the world economic situation and other factors. Except for ongoing obligations under securities laws to disclose all material information to investors, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP financial measure

This MD&A contains non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that is not specified, defined or determined under the Corporation's GAAP (as that term is defined in *Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards*) and is not presented in the Corporation's financial statements.

Working capital is the only non-GAAP financial measure presented in this document. It is obtained by subtracting the sum of the amounts for (i) accounts payable and accrued liabilities and (ii) other current liabilities from the sum of the amounts for (i) cash, (ii) non-restricted short-term investments, (iii) accounts receivable and (iv) other current assets.

Going concern assumption

The June 30, 2023 interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Corporation's current level of revenue is not sufficient to cover its expenses and ongoing commitments. The Corporation's ability to generate positive cash flows from its operating activities is dependent on achieving and maintaining profitable operations. Until it is able to generate positive cash flows from its operating activities, the Corporation will need, from time to time, to raise funds through financing activities.

Since its inception, the Corporation has been able to finance its activities and operate on a going concern basis through issuances of common shares, stock warrants, convertible notes, convertible debentures and loans. While the Corporation has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, and that such sources of funding or initiatives will be available on terms acceptable to the Corporation. If the Corporation is unable to obtain sufficient additional funding in the near-term, it may be unable to continue its operations, and amounts from the sale of assets might be less than the amounts reflected in the interim condensed consolidated financial statements.

As at June 30, 2023, the Corporation is current in its payroll taxes and is not in default with regards to its debt.

The June 30, 2023 interim condensed consolidated financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. Such adjustments, if required, may be material.

Significant events during the period

Financing activities

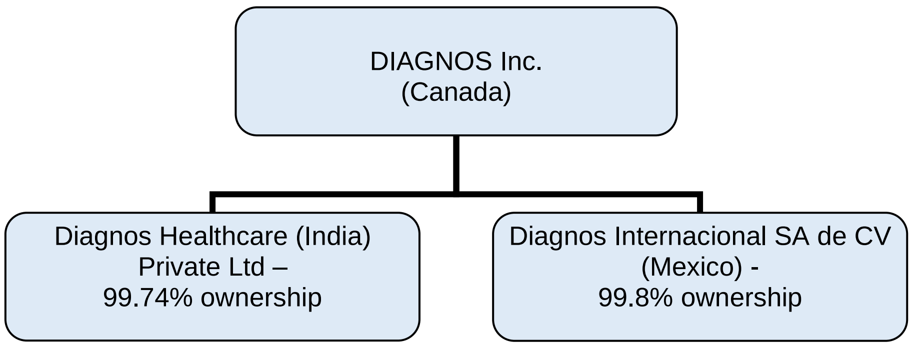
During the period covered by this MD&A;

- the Corporation raised $865,000 from the issuance of unsecured convertible debentures and stock warrants.
- the Corporation received an aggregate amount of $288,858 from the exercise of stock warrants and stock options.

Description of the Corporation and activities

The common shares of DIAGNOS are currently listed on (i) the TSX Venture Exchange of the Toronto Stock Exchange under the symbol “ADK” and (ii) the OTCQB, under the symbol “DGNOF”.

DIAGNOS group of entities is organized as follows:



DIAGNOS markets CARA (Computer Assisted Retinal Analysis), a software platform that assists health specialists in the detection of diabetic retinopathy. CARA is an in-house hosted web-based application that integrates fundus cameras with an image processing engine over a secure internet connection and has been developed by, and is proprietary to, DIAGNOS.

The CARA suite of applications allows an eye care specialist to more clearly visualize both normal retinal landmarks (optic nerve, vascular system, macula, fovea), as well as pathological changes (exudates, hemorrhages, micro-aneurisms, neo-vascularisation).

Services rendered by the Corporation vary from image enhancement only to turn-key screening solutions.

Business model

The Corporation’s main market is the screening of diabetic patients for diabetic retinopathy.

Screening projects are classified into two main categories; managed and standalone. Managed projects are those which require a full-time technician for each screening unit to manage the screening logistics, whereas standalone projects comprise one part-time technician and/or remote technical support to manage several screening units. In standalone projects, a camera is usually deployed at the screening site for the duration of the contract, after the part-time technician and/or remote technical support has trained site staff on how to acquire and transfer images.

Revenue arises from fees charged to analyse the retina of the eye image through the CARA web platform, usually on a per-transaction basis. The per-transaction fee varies based on the degree of deployment; managed or standalone. Revenue may also arise from fixed-amount subscription to the CARA platform.

Quarterly Highlights

Analysis of the Corporation's financial condition

The comparative financial information contained in this section is derived from the Corporation's June 30, 2023 interim condensed consolidated financial statements.

Comparative results

	Three-month period ended June 30,	
	2023	**2022**
	$	
Revenue	43,323	149,014
Operating expenses	(684,248)	(826,577)
Other income	7,572	6,221
Interest expense	(118,819)	(45,816)
	(795,495)	(866,172)
Net Loss	**(752,172)**	**(717,158)**
Increase in net loss	(35,014)	

The increase in net loss is attributable to:

	$
Decrease in revenue	(105,691)
Decrease in operating expenses	142,329
Increase in other income	1,351
Increase in interest expense	(73,003)
	(35,014)

Analysis of the Corporation’s financial condition (continued)

Detailed analysis of the significant variations in net loss:

Revenue

	Quarter ended June 30,		
	2023	**2022**	**Variance**
		$	
Canada	30,245	142,899	(112,654)
United States of America	6,217	5,591	626
Other countries	6,861	524	6,337
	43,323	149,014	(105,691)

Canada

The decrease of $112,654, for the quarter ended June 30, 2023, is mainly attributable to a decrease in customization consulting fees rendered as part of the signing of one agreement, in June 2021, for the deployment and enhancement of Artificial Intelligence based tests with a company active in eye care.

Operating expenses

The decrease of $142,329, for the quarter ended June 30, 2023, is mainly attributable to an overall decrease in consulting fees related to company awareness services.

Interest

The increase of $73,003, for the quarter ended June 30, 2023, is mainly attributable to the interest and accretion expenses on the unsecured convertible debentures.

Working Capital

Working capital is a non-GAAP financial measure of the Corporation's liquidity and an indicator for assessing short-term solvency.

		As at	
		June 30, 2023	**March 31, 2023**
		$	
Cash and short-term investments		694,109	296,639
Accounts receivable		264,210	263,269
Other current assets		84,399	14,892
	A	1,042,718	574,800
Accounts payable and accrued liabilities		481,294	460,014
Other current liabilities		276,067	258,757
	B	757,361	718,771
Working capital	A - B	**285,357**	**(143,971)**
Decrease in working capital		**429,328**	

The increase in working capital is attributable to:

	$
Cash used for operating activities	(623,376)
Net proceeds from issuance of convertible debentures and stock warrants	843,775
Net proceeds from exercices of stock warrants and stock options	257,000
Payment of interests	(51,660)
Others	3,589
	429,328

The Corporation's current level of revenue is not sufficient to cover its ongoing commitments (refer to going concern assumption paragraph above).

Capital resources

Capital resources are financing resources available to the Corporation and include debt, equity and any other financing arrangements.

Capital resources currently available to the Corporation are mainly composed of stock options and stock warrants which can be exercised to purchase common shares of the Corporation.

	Stock options exercisable as at June 30, 2023			**Stock warrants exercisable as at June 30, 2023**		
Exercise price range ($)	Number of options exercisable	Weighted-average exercise price ($)	Value ($)	Number of warrants exercisable	Weighted-average exercise price ($)	Value ($)
0.01 - 0.40	3,475,000	0.23	797,500	952,115	0.29	271,562
0.41 - 0.80	2,205,000	0.55	1,223,250	865,000	0.45	389,250
	5,680,000	0.36	2,020,750	1,817,115	0.36	660,812

Considering that the closing price of the common shares of the Corporation on the TSX Venture Exchange was $0.39 as at June 30, 2023;

- 3,475,000 stock options exercisable at the weighted-average price of $0.23 / common share, for a value of $797,500, are "in-the-money"[1], and
- 952,115 stock warrants exercisable at the weighted-average price of $0.29 / common share, for a value of $271,562, are "in-the-money"[1].

[1] "In-the-money" means the stock option or the stock warrant holder has the opportunity to subscribe for common shares of the Corporation below its current market price. However, this does not necessarily imply that (i) the holder will exercise all, or any portion, of its stock options or stock warrants and (ii) the conditions as at March 31, 2023 will remain favourable in the near-term.

During the month of July 2023, the Corporation received an aggregate amount of $96,858 from the exercise of 357,144 stock warrants.

DIAGNOS Inc.

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Stock Exchange Listings
TSX Venture Exchange: ADK
OTCQB: DGNOF

Transfer Agent and Registrar
Computershare Trust Company of Canada