



DIAGNOS Inc.

Interim Management Discussion & Analysis – Quarterly Highlights

Three-month Period ended June 30, 2024

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, 2024 and for the three-month period ended June 30, 2024. It should be read in conjunction with the June 30, 2024 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 21, 2024 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 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.

This MD&A contains one non-GAAP financial measure; working capital. 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, 2024 condensed consolidated financial statements and this MD&A 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. However, there exist significant uncertainties which cast significant doubt about the ability of the Corporation to continue as a going concern. 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 rely on financing
- Continue to evaluate M&A opportunities

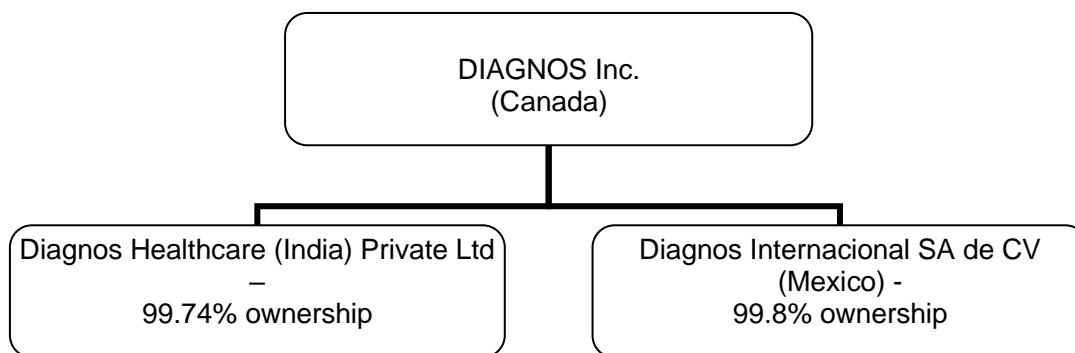
The Corporation believes that if it were to be successful in implementing some or all of the above risk mitigating measures, it will be able to continue as a going concern. There remains significant risk and uncertainty associated with implementing any of these measures which are dependent on a number of factors of which some may be outside of the Corporation’s control.

As at June 30, 2024, the Corporation is current in its payroll taxes and is not in default with regards to its debt.

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 Healthcare (India) Private Limited and Diagnos Internacional SA de CV are currently inactive.

Description of the Corporation and activities (continued)

DIAGNOS markets CARA (Computer Assisted Retinal Analysis), a software platform which 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, haemorrhages, micro-aneurisms, neo-vascularisation).

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

Business model and main risks

The Corporation's main market is the screening of patients for diabetic retinopathy. DIAGNOS is also focusing its efforts on developing new features of CARA for the early detection of:

- Age-related macular degeneration (ARMD), the leading cause of blindness among the elderly,
- Diabetic macular edema (DME), one of the main causes of visual impairment among diabetics, and
- Hypertensive retinopathy (HR) which can cause damage to the heart, kidneys and eyes

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 unit 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.

The main risks related to its business model that the Corporation is exposed to include (i) concentration of customers since the Corporation's main source of revenue is derived from only one specific segment of healthcare, diabetic retinopathy, and (ii) product acceptance, since the CARA technology is not intended to make any diagnosis but rather to help the healthcare professionals in making diabetic retinopathy diagnosis assessments.

Significant events during the period

Financing activities

	Gross proceeds
Issuance of common shares and stock warrants	\$1,295,821
Exercises of stock warrants	\$41,363
	\$1,337,184

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, 2024 interim condensed consolidated financial statements.

Comparative results:

	Three-month period ended		
	June 30,		
	2024	2023	Var.
	\$		
Revenue	36,690	43,323	(6,633)
Operating expenses	(614,758)	(684,248)	69,490
Other income	6,285	7,572	(1,287)
Interest expense	(144,873)	(118,819)	(26,054)
	(753,346)	(795,495)	42,149
Net Loss	(716,656)	(752,172)	35,516

Detailed analysis of the significant variations in net loss:

Operating expenses

The decrease of \$69,490 is mainly attributable to an overall decrease in consulting fees related to product development.

Interest expense

The increase of \$26,054 is mainly attributable to the increase in debt financing in the form of 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, 2024	March 31, 2024
	\$	
Cash and short-term investments	637,734	219,015
Accounts receivable	192,744	166,576
Other current assets	47,935	21,285
A	878,413	406,876
Accounts payable and accrued liabilities	316,091	521,671
Debt	1,793,881	975,932
Other current liabilities	125,815	124,326
B	2,235,787	1,621,929
Working capital	(1,357,374)	(1,215,053)
Variation in working capital	(142,321)	

The variation in working capital is mainly attributable to:

	\$	Note
Increase in debt	(817,949)	a)
Increase in short-term investments	500,000	b)
Decrease in trade payables	153,115	c)
Others	22,513	
	(142,321)	

- a) debentures due in May 2025
- b) related to financings
- c) due to the decrease in consulting fees for product development

As of the date of this MD&A, the Corporation's working capital is not sufficient to cover near-term commitments (refer to going concern assumption section on page 2).

Capital resources

Capital resources are financing resources available to the Corporation such as debt and equity instruments.

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

Number exercisable	Weighted-average price (\$)	Value (\$)
3,750,000	0.26	975,000
2,025,000	0.56	1,134,000
5,775,000	0.37	2,109,000

Stock warrants

Number exercisable	Weighted-average price (\$)	Value (\$)
6,856,017	0.40	2,742,407
1,779,356	0.45	800,710
8,635,373	0.41	3,543,117

As at June 30, 2024, the closing price of the common shares of the Corporation on the TSX Venture was \$0.31. As long as the closing price of the common shares remains at around \$0.31, the Corporation may receive up to \$975,000 from the exercise of up to 3,750,000 stock options as the weighted-average price of \$0.26 is below \$0.31, as presented in the above table.

DIAGNOS Inc.

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Stock Exchange Listings

TSX Venture Exchange: ADK
OTCQB: DGNOF

Transfer Agent and Registrar

Computershare Trust Company of Canada