DIAGNOS

DIAGNOS Inc.

Interim Management Discussion & Analysis – Quarterly Highlights
Three-month and Six-month Periods ended September 30, 2022

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 September 30, 2022 and for the three-month and six-month periods ended September 30, 2022. It should be read in conjunction with the September 30, 2022 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 November 29, 2022 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 September 30, 2022 interim 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.

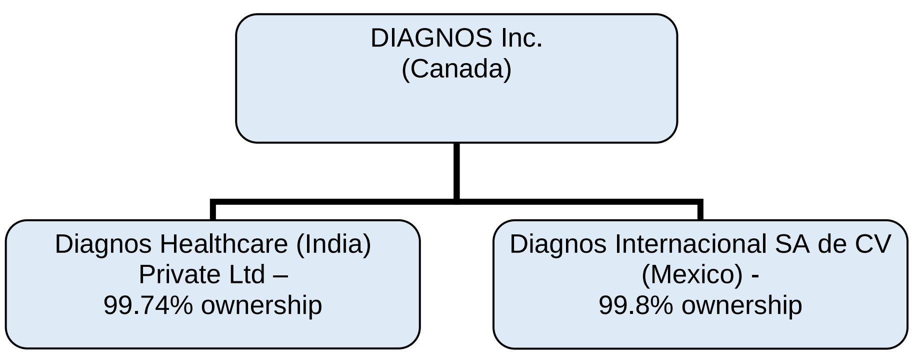
Since its inception, the Corporation has been able to finance its activities and operate on a going concern basis through issuances of common shares, stock warrants, convertible notes, convertible debentures and loans. While the Corporation has been successful in securing financing in the past, there 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 consolidated financial statements.

The September 30, 2022 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.

Description of the Corporation and activities

The common shares of DIAGNOS are currently listed on the TSX Venture Exchange and the OTCQB Exchange.

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 and main risks

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 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. Revenue may also arise from fixed-amount subscriptions to the CARA platform.

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

Pandemic

The Corporation's sales process continues to be somewhat impacted by the COVID-19 pandemic. The Corporation was able to retain all of its key employees and to qualify for various federal financial relief programs. Unchanged from the last reporting period, the Corporation is monitoring the situation closely and may take additional measures to reduce its costs and preserve its liquidities.

Financing

During the quarter ended September 30, 2022, as part of a private placement, the Corporation issued $350,000 worth of unsecured convertible debentures (each a "Debenture") and 350,000 stock warrants. The Debentures bear interest at an annual rate of 10%, and will mature on August 31, 2025 (the "Maturity Date"). At the sole option of the Debenture holders, the principal amount of the Debentures may be converted at any time into common shares of the Corporation (each a "Share") at a price of $0.22 per Share.

Quarterly Highlights

Analysis of the Corporation's financial condition

The comparative financial information contained in this section is derived from the Corporation's September 30, 2022 interim condensed consolidated financial statements.

Comparative results

	Three-month period ended September 30,		Six-month period ended September 30,	
	2022	**2021**	**2022**	**2021**
	$		$	
Revenue	146,533	80,933	295,547	156,894
Operating expenses	(620,892)	(703,032)	(1,447,469)	(1,505,062)
Other income	6,257	72,918	12,478	89,829
Interest expense	(52,608)	(8,525)	(98,424)	(19,390)
	(667,243)	(638,639)	(1,533,415)	(1,434,623)
Net Loss	**(520,710)**	**(557,706)**	**(1,237,868)**	**(1,277,729)**
Decrease in net loss	36,996		39,861	

The decreases in net loss are attributable to:

	Three-month	Six-month
	$	$
Increase in revenue	65,600	138,653
Decrease in operating expenses	82,140	57,593
Decrease in other income	(66,661)	(77,351)
Increase in interest expense	(44,083)	(79,034)
	36,996	39,861

Analysis of the Corporation's financial condition (continued)

Detailed analysis of the significant variations in net loss:

Revenue

	Three-month period ended September 30,			Six-month period ended September 30,		
	2022	2021	Variance	2022	2021	Variance
		$			$	
Canada	141,477	72,498	68,979	284,376	140,523	143,853
United States of America	4,097	7,063	(2,966)	9,688	14,883	(5,195)
Saudi Arabia	-	747	(747)	99	747	(648)
Mexico	950	351	599	1,335	351	984
Costa Rica	9	132	(123)	49	248	(199)
Colombia	-	84	(84)	-	84	(84)
Spain	-	58	(58)	-	58	(58)
	146,533	80,933	65,600	295,547	156,894	138,653

Canada
The increases for the three-month and six-month periods ended September 30, 2022 are mainly attributable to the signing of one sales agreement, in June 2021, for the deployment and enhancement of Artificial Intelligence based tests with a company active in eye care.

United States of America
The decreases for the three-month and six-month periods ended September 30, 2022 are mainly attributable to a decrease in the volume of screenings.

Analysis of the Corporation's financial condition (continued)

Operating expenses

The following table presents the main variations in operating expenses:

Expense	Variation	**Three-month period ended September 30,** $	**Six-month period ended September 30,** $	Note
Remuneration	(decrease) increase	(12,778)	53,813	a)
Stock-based compensation	decrease	(65,511)	(136,172)	b)
Consulting fees	(decrease) increase	(12,351)	46,532	c)
Legal fees	decrease	(3,428)	(58,096)	d)
Travel and living	(decrease) increase	(5,753)	15,753	e)
Insurance	increase	18,554	32,088	f)
Other	increase	44,271	6,221	
	Net decrease	(36,996)	(39,861)	

a) decrease due to lower headcount, increase due to higher sales commissions and bonus
b) overall decrease due to (i) fewer stock option grants and (ii) lower value of stock options granted
c) decrease due to lower fees related to company awareness services, increase due to higher fees related to the improvement of algorithms for the analysis of retinal images
d) overall decrease due to the absence of litigation defense fees
e) overall increase in travel and meal expenses to meet with potential clients and investors
f) overall increase due to higher directors & officers insurance policy premiums

Other income

The decreases for the three-month and six-month periods ended September 30, 2022 are mainly attributable the termination of the Canada Emergency Wage Subsidy program which was available for eligible employers that experienced a decline in revenue between March 15, 2020, and October 23, 2021.

Interest

The increases for the three-month and six-month periods ended September 30, 2022 are mainly attributable to the issuance, during the month of March 2022, of unsecured convertible debentures amounting to $930,000.

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	
		September 30, 2022	**March 31, 2022**
		$	
Cash and short-term investments		193,652	920,914
Accounts receivable		352,314	346,229
Other current assets		56,014	21,659
	A	601,980	1,288,802
Accounts payable and accrued liabilities		530,947	462,646
Other current liabilities		207,477	196,722
	B	738,424	659,368
Working capital	A - B	**(136,444)**	**629,434**
Decrease in working capital		**(765,878)**	

The decrease in working capital is attributable to:

	$
Cash used for operating activities	(1,021,825)
Proceeds from issuance of convertible debentures and stock warrants, net of issue expenses	347,500
Lease payments	(43,212)
Interest payments	(43,529)
Others	(4,812)
	(765,878)

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 comprised of:

Government financing agreement

The Corporation entered into a financing agreement in the form of an interest-free loan of up to $2,000,000 from the government of Québec via the Economic Development Fund to support the commercialization of its healthcare services globally. Under the financing agreement, loan disbursements are in the form of installments corresponding to 49% of the eligible expenses incurred up to June 30, 2022 for which the Corporation is requesting disbursement. The interest-free loan has a term of 10 years and principal repayment will start after the 24th month following the first disbursement. On October 19, 2021, the Corporation received the first installment of $119,465. On October 19, 2022, the Corporation received a second and final installment in the amount of $86,331.

Stock options and stock warrants exercisable

	Stock options exercisable as at September 30, 2022			**Stock warrants exercisable as at September 30, 2022**		
Exercise price range ($)	Number of options exercisable	Weighted-average exercise price ($)	Value ($)	Number of warrants exercisable	Weighted-average exercise price ($)	Value ($)
0.18 - 0.25	2,425,000	0.20	494,000	-	-	-
0.26 - 0.45	1,100,000	0.29	313,500	693,025	0.29	200,977
0.46 - 0.60	1,192,500	0.55	656,625	-	-	-
0.61 - 1.30	326,000	0.92	299,500	-	-	-
	5,043,500	0.35	1,763,625	693,025	0.29	200,977

Considering that the closing price of the common shares of the Corporation on the TSX Venture Exchange was $0.20 as at September 30, 2022, it is unlikely that the holders of the stock options and stock warrants will exercise all, or any portion, of the stock options and stock warrants.

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Stock Exchange Listing
The common shares of DIAGNOS Inc. 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