DIAGNOS Inc.

Interim Management Discussion & Analysis – Quarterly Highlights
Three-month and Nine-month Periods ended December 31, 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 December 31, 2022 and for the three-month and nine-month periods ended December 31, 2022. It should be read in conjunction with the December 31, 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 January 25, 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 December 31, 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.

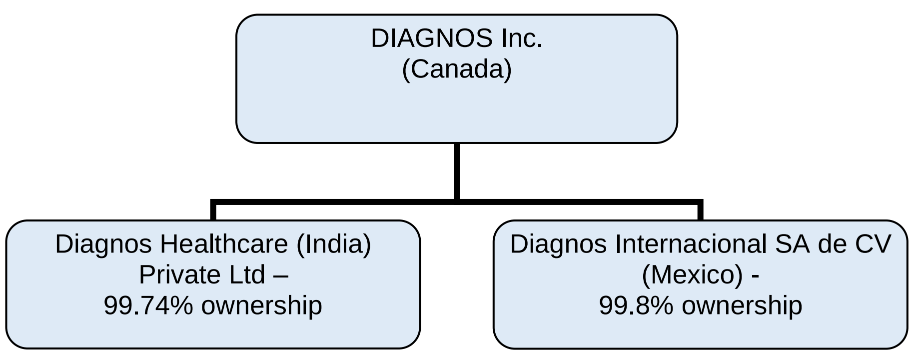
Since its inception, the Corporation has been able to finance its activities and operate on a going concern basis through issuances of common shares, stock warrants, convertible notes, convertible debentures and loans. While the Corporation has been successful in securing financing in the past, there 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 December 31, 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 December 31, 2022;

- the Corporation received a second and final disbursement of $86,331 under a financing agreement in the form of an interest-free loan from the government of Québec via the Economic Development Fund to support the commercialization of its healthcare services globally.

- the Corporation issued 17 convertible unsecured debentures and 850,000 stock warrants for total gross proceeds of $850,000.

Quarterly Highlights

Analysis of the Corporation's financial condition

The comparative financial information contained in this section is derived from the Corporation's December 31, 2022 interim condensed consolidated financial statements.

Comparative results

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2022	**2021**	**2022**	**2021**
	$		$	
Revenue	121,917	129,836	417,464	286,730
Operating expenses	(569,117)	(729,457)	(2,016,586)	(2,234,519)
Other income	7,340	3,000	19,818	92,829
Interest expense	(74,121)	(8,473)	(172,545)	(27,863)
	(635,898)	(734,930)	(2,169,313)	(2,169,553)
Net Loss	**(513,981)**	**(605,094)**	**(1,751,849)**	**(1,882,823)**
Decrease in net loss	91,113		130,974	

The decreases in net loss are attributable to:

	Three-month	Nine-month
	$	$
(Decrease) increase in revenue	(7,919)	130,734
Decrease in operating expenses	160,340	217,933
Increase (decrease) in other income	4,340	(73,011)
Increase in interest expense	(65,648)	(144,682)
	91,113	130,974

Analysis of the Corporation’s financial condition (continued)

Detailed analysis of the significant variations in net loss:

<u>Revenue</u>

	Three-month period ended December 31,			Nine-month period ended December 31,		
	2022	**2021**	**Variance**	**2022**	**2021**	**Variance**
		$			$	
Canada	116,025	123,608	(7,583)	400,401	264,131	136,270
United States of America	3,299	4,805	(1,506)	12,987	19,688	(6,701)
Other countries	2,593	1,423	1,170	4,076	2,911	1,165
	121,917	129,836	(7,919)	417,464	286,730	130,734

Canada
The increase for the nine-month period ended December 31, 2022 is 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 nine-month periods ended December 31, 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 December 31, 2022	Nine-month period ended December 31, 2022	Note
		$	$	
Remuneration	increase	6,901	60,714	a)
Stock-based compensation	decrease	(68,086)	(204,258)	b)
Consulting fees	(decrease) increase	(42,115)	4,417	c)
Tax credits	increase	(45,000)	(70,000)	d)
Others	decrease	(12,040)	(8,806)	
	Net decrease	(160,340)	(217,933)	

a) increase mainly due to higher sales commissions
b) overall decrease mainly due to (i) fewer stock option grants and (ii) lower value of stock options granted
c) decrease mainly due to lower fees related to company awareness services, increase mainly due to higher fees related to the improvement of algorithms for the analysis of retinal images
d) overall increase in time spent on activities eligible for tax credits

Other income

The decrease for the nine-month period ended December 31, 2022 is mainly attributable to 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 nine-month periods ended December 31, 2022 are mainly attributable to the issuance, during the period of March 2022 to December 2022, of unsecured convertible debentures amounting to $2,130,000 bearing interest at the yearly rate of 10%.

Working Capital

Working capital is a non-GAAP financial measure for assessing short-term solvency.

		As at	
		December 31, 2022	**March 31, 2022**
		$	
Cash and cash equivalents		662,571	920,914
Accounts receivable		413,265	346,229
Other current assets		30,372	21,659
	A	1,106,208	1,288,802
Accounts payable and accrued liabilities		457,335	462,646
Other current liabilities		321,765	196,722
	B	779,100	659,368
Working capital	A minus B	**327,108**	**629,434**
Decrease in working capital		**(302,326)**	

The decrease in working capital is attributable to:

	$
Cash used for operating activities	(1,514,315)
Proceeds from issuance of convertible debentures and stock warrants, net of issue expenses	1,168,500
Lease payments	(65,696)
Interest payments	(47,039)
Others	(50,106)
	(302,326)

The Corporation's current working capital is sufficient to fund its near-term operations. However, 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 December 31, 2022			**Stock warrants exercisable as at December 31, 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	1,652,115	0.27	453,562
0.46 - 0.60	1,317,500	0.55	724,125	-	-	-
0.61 - 1.30	226,000	0.75	169,500	-	-	-
	5,068,500	0.34	1,701,125	1,652,115	0.27	453,562

Considering that the closing price of the common shares of the Corporation on the TSX Venture exchange was $0.28 as at December 31, 2022;

- 2,425,000 stock options exercisable at the weighted-average price of $0.20 / common share, for a value of $494,000, are “in-the-money”[1], and
- 1,652,115 stock warrants exercisable at the weighted-average price of $0.27 / common share, for a value of $453,562, are “in-the-money”[1].

[1] “In-the-money” means the stock option or the stock warrant holder has the opportunity to subscribe to common shares of the Corporation below its current market price. However, this does not necessarily imply that the holder will exercise all, or any portion, of its stock options or 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