

# DIAGNOS

---

DIAGNOS Inc.

Interim Management Discussion & Analysis – Quarterly Highlights

Three-month and Nine-month Periods ended December 31, 2023

DIAGNOS Inc.

## Management Discussion and Analysis

### 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, 2023 and for the nine-month period ended December 31, 2023. It should be read in conjunction with the December 31, 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 February 28, 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 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 accounts payable and accrued liabilities and other current liabilities from the sum of the amounts for cash, non-restricted short-term investments, accounts receivable and other current assets.

### Going concern assumption

The December 31, 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 December 31, 2023, the Corporation is current in its payroll taxes and is not in default with regards to its debt.

The December 31, 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

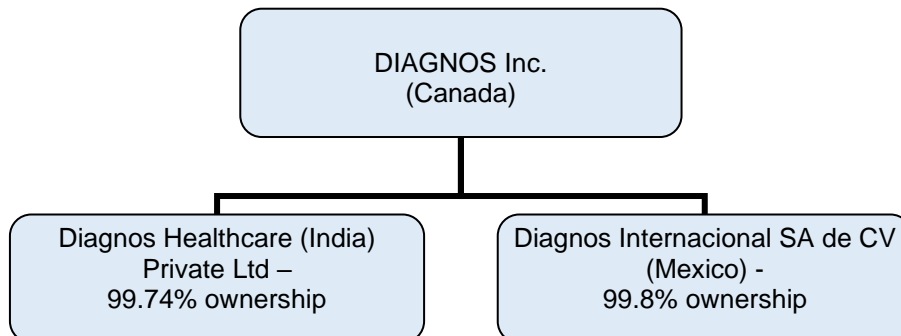
During the period covered by this MD&A;

- the Corporation raised an aggregate gross amount of \$1,505,051 from private placements.
- the Corporation received an aggregate amount of \$460,374 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 and other eye-related pathologies. 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 mass 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 December 31, 2023 interim condensed consolidated financial statements.

Comparative results:

	Three-month period ended December 31,			Nine-month period ended December 31,		
	2023	2022	Var.	2023	2022	Var.
	\$			\$		
Revenue	52,130	121,917	(69,787)	128,160	417,464	(289,304)
Operating expenses	(731,010)	(569,117)	(161,893)	(2,065,288)	(2,016,586)	(48,702)
Other income	7,158	7,340	(182)	23,760	19,818	3,942
Interest expense	(138,320)	(74,121)	(64,199)	(398,436)	(172,545)	(225,891)
	(862,172)	(635,898)	(226,274)	(2,439,964)	(2,169,313)	(270,651)
<b>Net Loss</b>	<b>(810,042)</b>	<b>(513,981)</b>	<b>(296,061)</b>	<b>(2,311,804)</b>	<b>(1,751,849)</b>	<b>(559,955)</b>

Detailed analysis of the significant variations in net loss:

#### Revenue

The decreases for the quarter and the nine-month period ended December 31, 2023 are mainly attributable to a decrease in fees charged for consulting services.

#### Operating expenses

The increase for the quarter ended December 31, 2023 is mainly attributable to an overall increase in consulting fees related to product development.

#### Interest expense

The increases for the quarter and the nine-month period ended December 31, 2023 are mainly attributable to the increase in debt financing in the form of unsecured convertible debentures.

DIAGNOS Inc.  
Interim Management Discussion and Analysis – Quarterly Highlights

---

*Working Capital*

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

	<b>As at</b>	
	<b>December 31, 2023</b>	<b>March 31, 2023</b>
	\$	
Cash and short-term investments	305,201	296,639
Accounts receivable	198,061	263,269
Other current assets	48,132	14,892
A	<b>551,394</b>	<b>574,800</b>
Accounts payable and accrued liabilities	501,232	460,014
Other current liabilities	288,433	258,757
B	<b>789,665</b>	<b>718,771</b>
<b>Working capital</b>	<b>(238,271)</b>	<b>(143,971)</b>
A - B		
<b>Variation in working capital</b>	<b>(94,300)</b>	

The variation in working capital is attributable to:

	\$
Net proceeds from financings	1,928,350
Operating activities	(1,715,085)
Interest payments	(189,304)
Lease payments	(88,874)
Others	(29,387)
	<b>(94,300)</b>

The Corporation's current level of revenue is not sufficient to cover ongoing commitments (refer to going concern assumption on page 2).

DIAGNOS Inc.  
Interim Management Discussion and Analysis – Quarterly Highlights

---

*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.

As at December 31, 2023, stock options and stock warrants which can be exercised to purchase common shares of the Corporation are as follows:

Price range (\$)	Stock options			Stock warrants			Total value (\$)
	Number exercisable	Weighted- average price (\$)	Value (\$)	Number exercisable	Weighted- average price (\$)	Value (\$)	
0.01 - 0.40	3,600,000	0.23	828,000	259,090	0.26	67,363	895,363
0.41 - 0.80	2,205,000	0.55	1,212,750	1,779,356	0.45	800,710	2,013,460
	<u>5,805,000</u>	<u>0.35</u>	<u>2,040,750</u>	<u>2,038,446</u>	<u>0.43</u>	<u>868,074</u>	<u>2,908,824</u>

According to the above table, an aggregate amount of \$895,363 could potentially be received by the Corporation from the exercise of stock warrants and stock options since their respective weighted average price is below the closing price of \$0.405 for the common shares of the Corporation on the TSX Venture Exchange as at December 31, 2023.

DIAGNOS Inc.

**Head Office**

7005 Taschereau Blvd.  
Suite 265  
Brossard, Quebec J4Z 1A7  
450 678-8882 or 877 678-8882

**Stock Exchange Listings**

TSX Venture Exchange: ADK  
OTCQB: DGNOF

**Transfer Agent and Registrar**

Computershare Trust Company of Canada