

DIAGNOS Inc.

Interim Management Discussion & Analysis – Quarterly Highlights

Three-month and six-month periods ended September 30, 2024

PART 1 GENERAL PROVISIONS

Description and objective

This Interim Management Discussion and Analysis – Quarterly Highlights (“MD&A”) provides a narrative explanation, through the eyes of management, of how DIAGNOS Inc. and its subsidiaries (“DIAGNOS”, the “Corporation” or “We”) performed during the three-month and the six-month periods ended September 30, 2024, and of the Corporation’s financial condition as at September 30, 2024 and future prospects.

This MD&A should be read in conjunction with the September 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 objective of this MD&A is to improve the Corporation's overall financial disclosure by giving a balanced discussion of the Corporation's financial performance and financial condition including, without limitation, such considerations as liquidity and capital resources.

The currency used is the Canadian dollar unless otherwise stated.

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.

Date of information

This MD&A is dated November 21, 2024 and was approved by the Board of Directors of the Corporation on the same date.

Non-GAAP financial measures

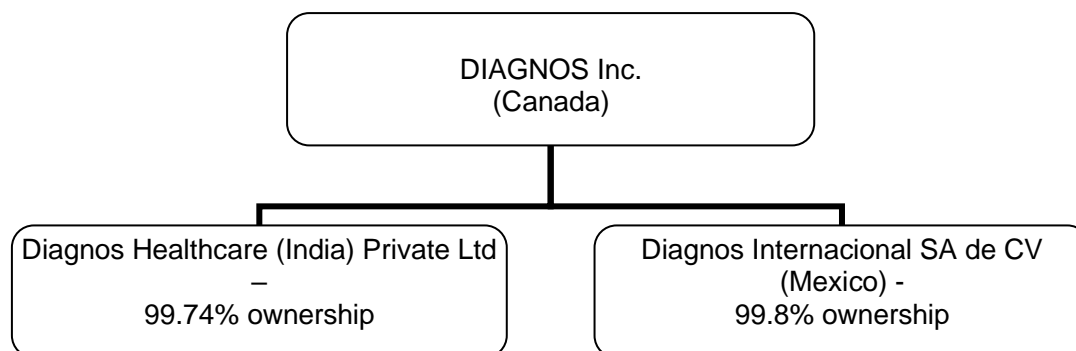
A non-GAAP financial measure is a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that is not specified, defined or determined under the Corporation’s GAAP (as that term is defined in *Regulation 52-107 respecting Acceptable Accounting Principles 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.

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.

DIAGNOS markets CARA (Computer Assisted Retinal Analysis), a software platform which assists health specialists in the detection of retinopathy 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, haemorrhages, micro-aneurisms, neo-vascularisation).

Additional information relating to DIAGNOS is on SEDAR+ at www.sedarplus.com.

Trends and risks

This section provides a discussion on (i) important trends and risk that have affected the financial statements, and (ii) risks that are reasonably likely to affect them in the future.

Going concern assumption

The September 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 exists uncertainties which cast significant doubt about the ability of the Corporation to continue as a going concern.

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As at September 30, 2024, cumulative deficit amounts to \$52,382,930. Additionally, as shown in the below table, for the most recent 4 quarters, the Corporation continues to report losses and negative cash flows from operations.

	2025		2024	
	Q2	Q1	Q4	Q3
	Sept. 30, 2024	June 30, 2024	March 31, 2024	Dec. 31, 2023
	\$			
Net loss	(1,019,332)	(716,656)	(808,778)	(810,042)
Cash flows used in operations	(539,736)	(764,918)	(519,089)	(652,618)

Until it is able to generate positive cash flows from its operating activities to cover operating and financing expenses, the Corporation will most likely continue to rely on financing activities to raise additional funds. During the period covered by this MD&A, the Corporation was successful in raising \$3,867,184 mainly through private placements of units comprising common shares and stock warrants, as shown in this table:

	Three months ended September 30, 2024	Six months ended September 30, 2024
Issuance of common shares and stock warrants	\$2,500,000	\$3,795,821
Exercises of stock warrants	\$0	\$41,363
Exercises of stock options	\$30,000	\$30,000
	\$2,530,000	\$3,867,184

Additionally, on October 25, 2024, the Corporation closed a private placement of units comprising common shares and stock warrants for gross proceeds of \$1,568,600.

Main risks

The main risks that the Corporation continues to be exposed are;

- (i) concentration of customers; for the six-month period ended September 30, 2024, 79% of revenue was attributable to two clients (six-month period ended September 30, 2023 – 75% attributable to three clients), and,
- (ii) product acceptance; the CARA technology comprises detection algorithms based on recent artificial intelligence techniques for which adoption could be affected by performance expectancy, effort expectancy, facilitating conditions, and social influence.

The revenue model & outlook section below discusses ways the Corporation uses or intends to use in order to cope with these main risks.

Revenue model & outlook

Revenue arises from fees charged to analyse the retina of the eye image through the CARA web platform, usually on a per-transaction basis.

Being a manufacturer of a medical device which requires proper regulatory commercialization licensing and clearance, DIAGNOS has applied for a commercialization license issued by Health Canada for its CARA suite of applications for the early detection of;

- Diabetic retinopathy, a condition that may lead to blindness if not properly treated,
- Age-related macular degeneration, the leading cause of blindness among the elderly,
- Diabetic macular edema, one of the main causes of visual impairment among diabetics, and
- Hypertensive retinopathy which can cause damage to the heart, kidneys and eyes.

Upon receipt of Health Canada license to commercialize CARA in Canada, DIAGNOS intends to execute a commercialization plan comprised of social media marketing, public relations, participation to conferences as well as training of resellers and agents with the objective of increasing its clients base and, thus, future revenue.

DIAGNOS is also in the process of preparing an application to obtain US-FDA clearance for the commercialization of CARA in the USA. Once obtained, the Corporation intends to execute a similar plan as the one for Canada discussed above.

PART 2
CONTENT OF MD&A

Quarterly Highlights

This section provides a short discussion of all material information about the Corporation's operations, liquidity and capital resources.

Operations

The comparative financial information contained in this section is derived from the Corporation's September 30, 2024 interim condensed consolidated financial statements.

Comparative results:

	Three-month period ended			Six-month period ended		
	September 30,			September 30,		
	2024	2023	Var.	2024	2023	Var.
	\$			\$		
Revenue	22,673	32,707	(10,034)	59,363	76,030	(16,667)
Operating expenses	(902,401)	(650,030)	(252,371)	(1,517,159)	(1,334,278)	(182,881)
Other income	6,285	9,030	(2,745)	12,570	16,602	(4,032)
Interest expense	(145,889)	(141,297)	(4,592)	(290,762)	(260,116)	(30,646)
	(1,042,005)	(782,297)	(259,708)	(1,795,351)	(1,577,792)	(217,559)
Net Loss	(1,019,332)	(749,590)	(269,742)	(1,735,988)	(1,501,762)	(234,226)

Detailed analysis of the significant variations in net loss:

Operating expenses

The increases of \$252,371, for the three-month period ended September 30, 2024, and of \$182,881, for the six-month period ended September 30, 2024, are mainly attributable to an overall increase in headcount and consulting fees.

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Liquidity

The Corporation uses working capital as a financial measure of the Corporation's liquidity and an indicator for assessing short-term solvency.

		As at	
		September 30, 2024	March 31, 2024
		\$	
Cash and short-term investments		2,491,545	219,015
Accounts receivable		99,407	166,576
Other current assets		54,723	21,285
	A	2,645,675	406,876
Accounts payable and accrued liabilities		499,966	521,671
Debt		1,793,881	975,932
Other current liabilities		124,148	124,326
	B	2,417,995	1,621,929
Working capital	A - B	227,680	(1,215,053)
Variation in working capital		1,442,733	

The variation in working capital is mainly attributable to:

	\$
Cash flows from financing activities	3,584,298
Cash flows used in operating activities	(1,304,654)
Increase in short-term debentures debt	(817,949)
Others	(18,962)
	1,442,733

Although short-term assets of \$2,645,675 (A) exceed short-term liabilities of \$2,417,995 (B) by \$227,680 as at September 30, 2024, cash flows used in operating activities of \$1,304,654, for the six-month period ended September 30, 2024, is an indicator that additional funding might be required in the near future.

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 by the holders of such rights to purchase common shares of the Corporation. As a result of such exercises, the Corporation receives additional funds which could be used to finance its operations.

Stock options

Number exercisable	Weighted-average price (\$)	Value (\$)
2,425,000	0.27	654,750
2,025,000	0.56	1,134,000
4,450,000	0.40	1,788,750

Stock warrants

Number exercisable	Weighted-average price (\$)	Value (\$)
15,189,350	0.40	6,075,740
1,779,356	0.45	800,710
16,968,706	0.41	6,876,450

Based on the above tables, the Corporation may receive up to \$654,750 from the exercise of up to 2,425,000 stock options as the weighted-average price of \$0.27 is below the closing price of \$0.38 of the common shares of the Corporation on the TSX Venture as at September 30, 2024.

DIAGNOS Inc.

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Stock Exchange Listings

TSX Venture Exchange: ADK
OTCQB: DGNOF

Transfer Agent and Registrar

Computershare Trust Company of Canada