



DIAGNOS Inc.

Interim Management Discussion & Analysis – Quarterly Highlights

Three-month and Nine-month Periods ended December 31, 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 nine-month periods ended December 31, 2024, and of the Corporation’s financial condition as at December 31, 2024 and future prospects.

This MD&A should be read in conjunction with the December 31, 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 statement

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 February 12, 2025 and was approved by the Board of Directors of the Corporation on the same date.

Non-GAAP financial measure

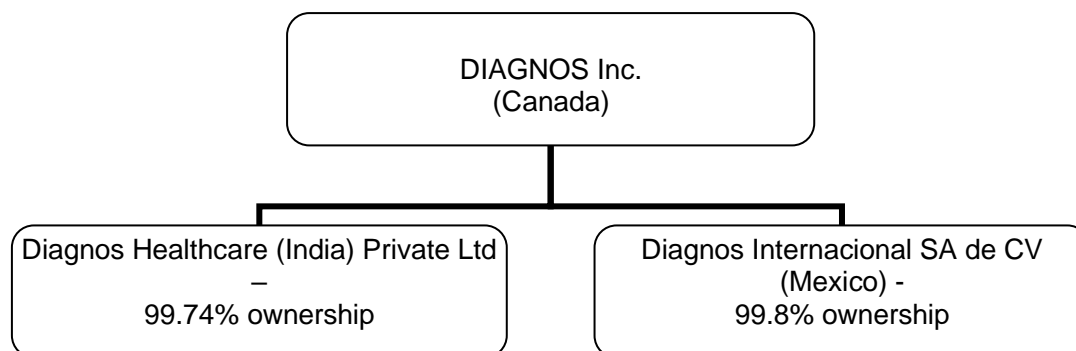
A non-GAAP financial measure is a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that is not specified, defined or determined under the Corporation’s GAAP (as that term is defined in *Regulation 52-107 respecting Acceptable Accounting Principles 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 available 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 December 31, 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.

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
	Q3	Q2	Q1	Q4
	Dec. 31, 2024	Sept. 30, 2024	June 30, 2024	March 31, 2024
	\$			
Net loss	(1,213,238)	(1,019,332)	(716,656)	(808,778)
Cash flows used in operations	(1,091,988)	(539,736)	(764,918)	(519,089)

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 an aggregate gross amount of \$5,435,785, as detailed in this table:

	Quarter ended	Nine months ended
	December 31, 2024	
	\$	
Private placements	1,568,600	5,364,422
Exercises of stock warrants	-	41,363
Exercises of stock options	-	30,000
	<u>1,568,600</u>	<u>5,435,785</u>

Additionally, on February 5, 2025, the Corporation closed a non-brokered private placement for gross proceeds of \$2,014,611.

Main risks

In addition to going concern, the Corporation continues to be exposed to these main risks;

- (i) concentration of customers; for the nine-month period ended December 31, 2024, 79% of revenue was attributable to two clients (nine-month period ended December 31, 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 recently 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, revenue.

DIAGNOS is also planning 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 December 31, 2024 interim condensed consolidated financial statements.

Comparative results:

	Three-month period ended			Nine-month period ended		
	December 31,			December 31,		
	2024	2023	Var.	2024	2023	Var.
	\$			\$		
Revenue	26,042	52,130	(26,088)	85,405	128,160	(42,755)
Operating expenses	(1,094,695)	(731,010)	(363,685)	(2,611,854)	(2,065,288)	(546,566)
Other income	6,249	7,158	(909)	18,819	23,760	(4,941)
Interest expense	(150,834)	(138,320)	(12,514)	(441,596)	(398,436)	(43,160)
	(1,239,280)	(862,172)	(377,108)	(3,034,631)	(2,439,964)	(594,667)
Net Loss	(1,213,238)	(810,042)	(403,196)	(2,949,226)	(2,311,804)	(637,422)

Detailed analysis of the significant variations in net loss:

Revenue

The decreases of \$26,088, for the three-month period ended December 31, 2024, and of \$42,755, for the nine-month period ended December 31, 2024, are mainly attributable to an overall decrease in the volume of retinal images analysed.

Operating expenses

The increases of \$363,685, for the three-month period ended December 31, 2024, and of \$546,566, for the nine-month period ended December 31, 2024, are mainly attributable to increases in (i) employee headcount, (ii) incentives paid in cash to officers of the Corporation and (iii) consulting fees related to company awareness.

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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	
	December 31, 2024	March 31, 2024
	\$	
Cash and short-term investments	2,820,449	219,015
Accounts receivable	121,743	166,576
Other current assets	83,161	21,285
A	3,025,353	406,876
Accounts payable and accrued liabilities	387,675	521,671
Debt	2,674,280	975,932
Other current liabilities	115,933	124,326
B	3,177,888	1,621,929
Working capital	A - B	(1,215,053)
Variation in working capital	1,062,518	

The variation in working capital is mainly attributable to:

	\$
Cash flows from financing activities	5,006,035
Cash flows used in operating activities	(2,396,642)
Increase in short-term debentures debt	(1,697,314)
Net change in operating working capital items	159,432
Others	(8,993)
	1,062,518

Considering cash and short-term investments in the aggregate amount of \$2,820,449, as at December 31, 2024, and cash flows used in operating activities of \$2,396,642, for the nine-month period ended December 31, 2024, additional funding might potentially be required in the near future, the latter depending on the Corporation's ability to generate positive cash flows from its operations. On February 5, 2025, the Corporation closed a non-brokered private placement ("Q4-Private placement") for gross proceeds of \$2,014,611.

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 are mainly 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 (\$)
20,478,708	0.40	8,191,483
914,356	0.45	411,460
21,393,064	0.40	8,602,943

Based on the above tables, the Corporation could potentially 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 \$0.285 of the common shares of the Corporation on the TSX Venture as at December 31, 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