Management Discussion and Analysis

Three-month Period ended June 30, 2018

DIAGNOS Inc.

DIAGNOS Inc.

Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A"), dated August 28, 2018, analyses the consolidated financial position of DIAGNOS Inc. and its subsidiaries ("DIAGNOS", "the Corporation" or "We") as at June 30, 2018 and for the three-month period ended June 30, 2018 and should be read in conjunction with the June 30, 2018 interim unaudited condensed consolidated financial statements and accompanying notes. The currency used is the Canadian dollar unless otherwise stated.

This MD&A was approved by the Board of Directors on August 28, 2018 and takes into account information available up to the filing date on SEDAR.

Description and Objective

This MD&A is a narrative explanation, through the eyes of management, of the Corporation's performance during the periods covered by the financial statements, and of the Corporation's financial condition and future prospects. 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 disclosures by providing a balanced discussion of the Corporation's financial performance and financial condition.

Going concern assumption

The June 30, 2018 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. Since 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 demand loans. On July 4, 2018, the Corporation closed a private placement of $800,000 through the issuance of convertible debentures and stock warrants. In the near term, the Corporation intends to continue seeking additional financing through the issuance of debt and equity instruments to meet its operating and financial obligations. 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, 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, it may be unable to continue its operations, and amounts from the sale of assets might be less than the amounts reflected in these consolidated financial statements.

The June 30, 2018 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.

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 measures

This MD&A contains certain 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.

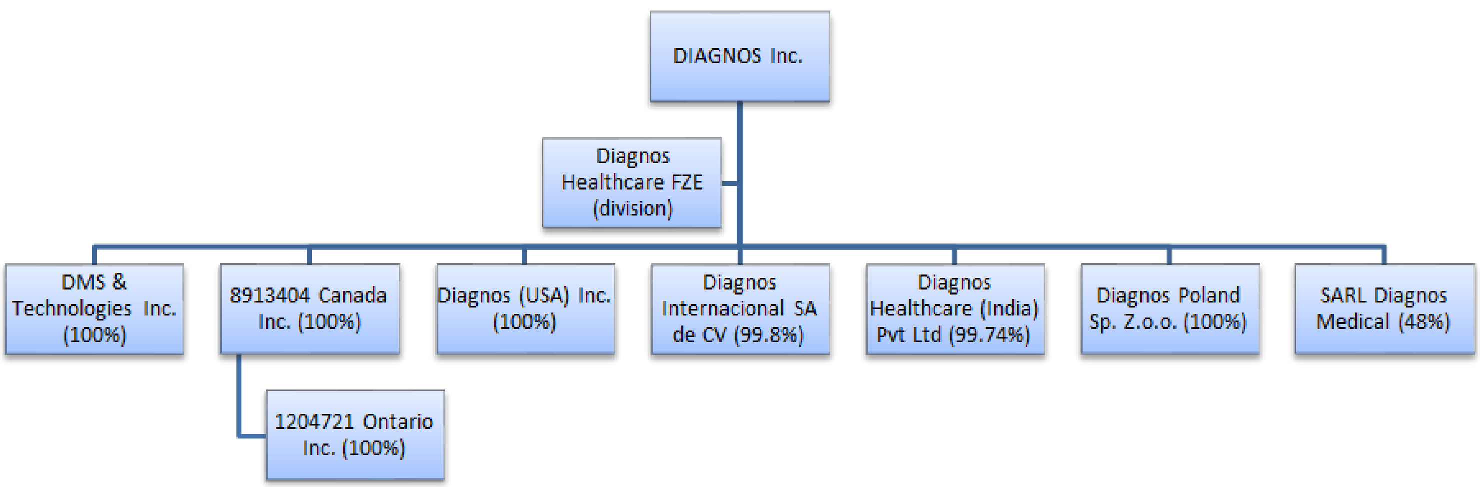
Non-GAAP financial measures presented in this document are:

- Backlog: The backlog amount is composed of sales bookings for services not yet rendered.
- Bookings: Booking amounts represent signed agreements for which a value can be estimated.
- Research and development refundable tax credit provisions in proportion to research and development expenses.
- Working capital: the working capital amount is obtained by subtracting accounts payable and accrued liabilities and other current liabilities from cash, non-restricted short-term investments and accounts receivable.

Description of the Corporation and activities

DIAGNOS has built an Artificial Intelligence ("AI") platform called *FLAIRE* to provide assistance to general practitioners in interpreting medical imaging at the primary care facilities. The Corporation operates in Healthcare and offers image analysis services through Computer Assisted Retinal Analysis (CARA), a software tool, which assists health specialists in the detection of diabetic retinopathy. Its geographical footprint spans across fifteen countries. DIAGNOS is currently listed on (i) the Toronto Venture Exchange where it trades under the stock symbol of "ADK" and (ii) the OTCQB under the symbol "DGNOF".

DIAGNOS group of entities, as at June 30, 2018, is organized as follows:



During the quarter ended June 30, 2018, the Coporation disposed all of the shares of Albert Mining Inc ("Albert"). As at March 31, 2018, the Coporation helds 10,500,000 shares of Albert representing 16.6% of Albert's outstanding common shares.

DIAGNOS Inc.

DIAGNOS operates in the healthcare sector through CARA, an AI software tool which 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. CARA has been developed by, and is proprietary to, DIAGNOS.

AI market in Healthcare

The AI market in healthcare has high growth opportunities due to rising needs of self-care monitoring in real-time. Globally, AI in healthcare market is driven by the ability to improve patient outcomes, increase in need for coordination between healthcare workforce & patients, rise in adoption of precision medicine, significant use of big data in the healthcare sector, and remarkable rise in venture capital investments. Key healthcare applications using AI at present include – Intelligent Diagnostics, Patient and Provider Data Management, Drug Discovery Process, and Medical Devices and Robotics. According to Allied Market Research, the global AI in healthcare market was valued at $1,441 million in 2016, and is estimated to reach at $22,790 million by 2023. With its established CARA technology and worldwide presence, we believe DIAGNOS is well positioned to capture a sizeable portion of the AI market in healthcare.

Over the next decade, artificial intelligence is expected to fundamentally transform the diagnostic imaging market where the focus would be towards meeting the rising demand for imaging examinations, prevent diagnostic errors, and enable sustained productivity increases rather than replacing the need for radiologists.

As per an IBM research, medical images account for 90% of all the medical data which makes it the largest data source in healthcare industry. Nowadays, healthcare algorithms are created to get more accurate and quicker diagnosis. Presently medical imaging is helpful in tumour detection, tracking tumour development, blood flow visualization, medical interpretation and diabetic retinopathy.

CARA

The Corporation has developed a proprietary set of algorithms and associated software platforms to assist eye specialists in the detection of diabetic retinopathy. According to the Canadian Diabetes Association, diabetic retinopathy is the most common cause of blindness in people under age 65 and the most common cause of new blindness in North America. Also according to the Canadian Diabetes Association, it is estimated that approximately 2 million individuals in Canada (i.e. almost all people with diagnosed diabetes) have some form of diabetic retinopathy. According to the World Health Organization, the number of people with diabetes worldwide has risen from 108 million in 1980 to 422 million in 2014.

The application is named CARA, which stands for “Computer Assisted Retinal Analysis”. The Corporation’s management view is that this application will contribute to the increase in revenue streams based on the fact that automating the screening process for diabetic retinopathy will benefit the healthcare system.

CARA can be deployed in many countries and has received certifications from Health Canada, the US Food and Drug Administration in the United States of America and CE in the European Union.

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). Services vary from image enhancement only, to turn-key solutions including deploying imaging equipment on a mobile basis using the Corporation’s staff.

During the period covered by this document, the Corporation has actively been developing CARDIO, a software tool being tested by DIAGNOS to detect patients at risk of developing cardiovascular disease. CARDIO is a by-product of the work we are doing in the field of stroke prevention based on the human vascular system. This new application is currently in clinical trial in the US, Canada, Algeria and Mexico.

A few other healthcare-focused software tools are presently in the development phase, such as Sleep Apnea and Alzheimer’s disease.

Unchanged from the last reporting period, for the commercialization of CARA, we currently have a presence either directly or through resellers in North America (Canada, USA and Mexico), Africa (Algeria), Middle-East (some countries of the Gulf Cooperation Council) and India. We intend to continue increasing our presence in the USA. CARA has proven its value to patients in these markets. Our focus going forward is to leverage that proven ability to, (i) continue to build revenue and sales in emerging markets, and, (ii) to substantially grow our sales and marketing successes in the US and Canada, where we believe CARA offers a unique value proposition to payers and patients. The addition of a new US based board member is accelerating the business development efforts there.

Development of the Business

Here are the main events which contributed to the development of the business for the quarter ended June 30, 2018:

- April 2018: Appointment of new director based in the USA, Dr. Reid Maclellan.
- June 2018: Partnership with the CHUM to showcase CARA.
- June 2018: New CARA high blood risk assessment tool.
- July 2018: Private placements of (i) convertible debentures for gross proceeds of $800,000 and (ii) common shares for gross proceeds of $60,000.

Summary of quarterly results

The following financial information for the eight most recently completed three-month periods is derived from the Corporation's financial statements.

	2019	2018				2017		
	Q1	*Q4*	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*
	June 30, 2018	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017 (restated)	Dec. 31, 2016	Sept. 30, 2016
	$							
Revenue	93,124	66,593	937,426	269,404	339,398	357,979	1,403,271	363,261
Net income (loss)	(957,229)	(1,041,793)	(544,360)	(834,601)	(476,411)	(1,361,591)	62,179	(941,698)
Comprehensive income (loss)	(973,112)	(1,112,207)	(285,919)	(1,093,621)	(410,714)	(1,299,844)	15,274	(957,614)
Comprehensive income (loss) per share	(0.01)	(0.01)	0.00	(0.01)	0.00	0.00	0.00	(0.01)

Overall performance

This section provides an analysis of the Corporation's financial performance, financial condition and resulting cash flows during the periods covered by this MD&A.

Net results

The comparative financial information for the three-month period ended June 30, 2018, contained in this section, is derived from the Corporation's interim condensed consolidated financial statements.

	Three-month period ended June 30,	
	2018	**2017**
	$	
Revenue	93,124	339,398
Operating expenses	816,548	1,217,288
Interest expense	233,805	222,440
Gain on disposal of the mining division	-	(623,919)
	1,050,353	815,809
Net loss	**(957,229)**	**(476,411)**
Increase in net loss	(480,818)	

The variation in net loss is attributable to:

	$
Decrease in revenue	(246,274)
Increase in costs of services and research and development	(17,536)
Decrease in selling and administrative expenses	418,276
Increase in interest expense	(11,365)
Gain on disposal of the mining division	(623,919)
	(480,818)

- The decrease in revenue is mainly attributable to the sale of the mining division during the quarter ended June 30, 2017.
- The decrease in selling and administrative expenses is mainly attributable to decreases in (i) incentives paid to officers of the Corporation, (ii) consulting fees related to the new corporate image, (iii) the sale of the mining division during the quarter ended June 30, 2017 and (iv) sales commissions related to the decrease in revenue.
- Gain on disposal of intangible assets arose from the selling of the mining division during the quarter ended June 30, 2017.

When evaluating its overall financial performance, the Corporation's analysis is based on the following key performance indicators:

- capacity to increase revenues
- capacity to generate positive cash flows from operating activities
- capacity to deliver results
- capacity to innovate

Capacity to increase revenues

To increase its revenues, the Corporation strives to generate sales in existing and new geographic markets.

Bookings, Revenues and Backlogs

The Corporation's backlog provides an indicator when forecasting its short-term revenues. The backlog is mainly composed of sales bookings for products and services not yet delivered or rendered as of period end.

The following table presents the comparative evolution of the backlog for the three-month period ended June 30, 2018 and is followed by an analysis of the material variances.

	Three-month period ended June 30, 2018			
	Healthcare	Consulting services	Mining (discontinued)	Total
	$			
Opening backlog	-		-	-
Bookings	59,451	73,840	-	133,291
Revenues	(19,284)	(73,840)	-	(93,124)
Ending backlog	40,167	-	-	40,167

	Three-month period ended June 30, 2017			
	Healthcare	Consulting services	Mining (discontinued)	Total
	$			
Opening backlog	24,600	-	-	24,600
Bookings	7,098	-	320,000	327,098
Revenues	(19,398)	-	(320,000)	(339,398)
Ending backlog	12,300	-	-	12,300

	Variations for the three-month period ended June 30, 2018			
	Healthcare	Consulting services	Mining (discontinued)	Total
	$			
Bookings	52,353	73,840	(320,000)	(193,807)
Revenues	(114)	73,840	(320,000)	(246,274)

Analysis of the material variances for the comparative three-month periods ended June 30, 2018:

- The increase in bookings and revenues from consulting services is mainly attributable to data interpretation services rendered to one company active in the mining sector.
- The decrease in bookings and revenues from mining is attributable to the sale of the mining division (CARDS) during the quarter ended June 30, 2017.

Geographical segments

The following table presents the comparative revenues by country:

	Three-month period ended June 30,				
	2018	**2017**			**Variance**
	Total	Healthcare	Mining	Total	
	$				
Canada	73,840	350	320,000	320,350	(246,510)
United Arab Emirates	6,140	13,954	-	13,954	(7,814)
United States of America	10,715	-	-	-	10,715
Saudi Arabia	2,479	-	-	-	2,479
Slovakia	-	3,525	-	3,525	(3,525)
Poland	-	993	-	993	(993)
Nigeria	(50)	576	-	576	(626)
	93,124	19,398	320,000	339,398	(246,274)

Canada
The head office of the Corporation is located in Brossard, Canada and is responsible for the revenues and expenses derived from sales activities in Canada, the United States of America, the United Arab Emirates, Saudi Arabia and Nigeria.. During the three-month period ended June 30, 2018, revenues were derived from data interpretation services rendered to one company active in the mining sector. For the same period, the decrease in revenue is due to the sale of the mining division in the quarter ended June 30, 2017.

United Arab Emirates, Poland and Nigeria
The revenues from those countries were derived from the healthcare sector (CARA) and are attributable to one global client with activities in the pharmaceutical industry. The decrease in revenue in those countries, for the quarter ended June 30, 2018, is mainly due to lower volume of screenings.

Saudi Arabia, United States of America and Slovakia
The revenues from those countries were derived from the healthcare sector (CARA) and are attributable to three clients with activities in the primary care sector.

Mexico, India and Poland
The Corporation has places of business in Mexico, Mumbai and Poland which are responsible for operations in these countries. During the quarter ended June 30, 2018, no revenue was derived from those countries.

Capacity to generate positive cash flows from operating activities

To generate positive cash flows from its operating activities, the Corporation strives to increase sales receipts and continues to monitor operating costs and related disbursements. The following table contains information taken from the Corporation's interim condensed consolidated financial statements and details the cash flows derived from operating activities:

	Three-month period ended June 30,		
	2018	**2017**	**Variance**
	$		
Net loss	(957,229)	(476,411)	(480,818)
Items not affecting cash	208,295	(422,462)	630,757
Payment of interest	218,750	177,346	41,404
Net change in non-cash operating working capital items	385,673	(303,300)	688,973
Cash flows from operating activities	**(144,511)**	**(1,024,827)**	**880,316**

The positive variance in cash flows from operating activities of $880,316 is mainly attributable to:

	$
Decrease in revenues	(246,271)
Decrease in accounts receivable from customers	270,536
Proceeds received as part of a private placement closed after period end	250,000
Gain on disposal of the mining division	623,919
Others	(17,868)
	880,316

Capacity to deliver results

The Corporation's sales agreements usually imply rendering services over a defined period of time. Consequently, sufficient working capital and cash liquidities are required to execute the sales agreements and to continue supporting business development initiatives. The Corporation's current level of revenues is not sufficient to cover its expenses and ongoing commitments, thereby resulting in negative cash flows generated from operating activities. The Corporation's ability to generate positive cash flows from operating activities is dependent on achieving and maintaining profitable operations. Since inception, the Corporation has been able to finance its activities and operate on a going concern basis through issuances of shares, stock warrants and debt. To raise additional funds if and when required, the Corporation's current strategy is expected to be, but not limited, to the issuance of common shares, convertible financial instruments and stock warrants.

Based on the current level of liquidities and sales activities, the realization of assets and the discharge of its liabilities in the ordinary course of business remain uncertain. In order to address these uncertainties, the Corporation has implemented some or all of the following measures:

- Continue the process of renewing contracts
- Reduce operating cost
- Continue to seek debt financing
- Continue to seek equity financing
- Continue to evaluate possible M&A opportunities

Capacity to innovate

To improve existing products and continue to innovate, the Corporation has in place a team of scientists dedicated to the development of CARA. The Corporation's research and development activities are performed at the head office in Canada. The Corporation benefits from research and development (R&D) tax credits where, historically, approximately 15% of its overall R&D expenses are refunded by the Government of Quebec.

For the comparative three-month period ended June 30, 2018, refundable tax credit provisions in proportion to the overall R&D expenses represent:

	Three-month period ended June 30,	
	2018	2017
R&D expenses ($)	237,617	190,459
R&D tax credit provisions ($)	25,000	20,000
R&D tax credit in proportion to R&D expenses	11%	11%

Based on current activities and current legislation, the R&D tax credit percentage in proportion to R&D expenses is expected to be approximately 12% for the foreseeable future.

Expenses analysis

The comparative financial information on expenses, for the three-month period ended June 30, 2018, contained in this table is derived from the Corporation's interim condensed consolidated financial statements and is followed by an analysis of the material variances.

	Three-month period ended June 30,	
	2018	2017
	$	
Costs of services and research and development	291,805	274,269
Selling and administrative	524,743	943,019
	816,548	1,217,288

	Variations for the three-month period ended June 30, 2018	
	$	%
Costs of services and research and development	(17,536)	(6%)
Selling and administrative	418,276	44%
	400,740	33%

Selling and administrative

The decrease of $418,276, or 44%, for the quarter ended June 30, 2018, is mainly attributable to decreases in (i) incentives paid to officers of the Corporation, (ii) consulting fees related to the new corporate image, (iii) the sale of the mining division during the quarter ended June 30, 2017 and (iv) sales commissions related to the decrease in revenue.

Financial position analysis

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

	As at	
	June 30, 2018	**March 31, 2018**
	$	
Cash	204,305	150,291
Accounts receivable	286,967	531,132
Other current assets	137,742	108,528
Non-current assets	229,133	734,296
Total assets	**858,147**	**1,524,247**
Accounts payable and accrued liabilities	761,108	614,972
Other current liabilities	74,776	48,131
Non-current liabilities	4,594,160	4,497,829
Shareholders' deficiency	(4,571,897)	(3,636,685)
Total liabilities and shareholders' deficiency	**858,147**	**1,524,247**
Working capital (deficiency)	**(344,612)**	**18,320**
Decrease in working capital	(362,932)	

The working capital varied as follows:

		$
Working capital at the beginning of the period		18,320
Proceeds received as part of a private placement closed after period end	250,000	
Payment of interests	(218,750)	
Decrease in revenues	(246,271)	
Others	(166,231)	(381,252)
Working capital at the end of the period		(362,932)

Based on the current level of liquidities and sales activities, the realization of assets and the discharge of liabilities in the ordinary course of business remain uncertain. In order to address these uncertainties and improve its financial position, the Corporation is evaluating the implementation of some or all of the following measures:

Liquidity risk	Risk mitigation measures
Funding of operating and financing expenses	• Continue the process of renewing contracts • Reduce operating costs • Continue to seek debt financing • Continue to seek equity financing • Continue to evaluate possible M&A opportunities

The Corporation believes that with the above measures it will be able to improve its financial position. There is, however, significant risk and uncertainty associated with the measures described above.

Commitments and off-balance sheet arrangements

As of April 1, 2018, under the terms of an operating lease agreement in Canada, which will expire in September 2019, the Corporation is committed to making minimum annual lease payments of $109,944 for the duration of the lease.

As of april 1, 2018, under the terms of an operating lease agreement in Mexico, which expired in June 2018, the Corporation is committed to making minimum annual lease payments of $4,671 for the duration of the lease.

Share information

As at June 30, 2018, the number of common shares and convertible securities outstanding is:

Common shares	172,421,265
Stock warrants	6,220,000
Conversion options	38,950,000
Stock options	16,122,684
	233,713,949

Transactions between related parties

The Corporation's related parties include its subsidiaries and associate entities as well as the Corporation's key management personnel. Key management personnel include directors and officers.

Transactions with key management personnel, directors and officers are as follows:

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017	Δ
	$	$	
Base Salary	122,500	122,500	0%
Stock based compensation	35,016	15,554	125%
Incentives	25,000	150,000	(83%)
Sales commissions	-	45,790	(100%)
Interest on demand loan	485	606	(20%)
Payment of interest on demand loan	(485)	(606)	(20%)
	182,516	333,844	(45%)

The increase in stock based compensation is attributable to an increase in the number of stock options granted during the last 12 months.

The decrease in sales commissions is attributable to the decrease in revenue.

The following table presents the outstanding balances with key management personnel.

	As at June 30, 2018	As at March 31, 2018
	$	$
Demand loan receivable, annual interest rate of 4%	46,264	46,749
Sales commissions advance, no interest	20,841	21,558
Convertible debentures, annual nominal interest rate of 10%	(30,000)	(30,000)
Convertible notes, annual nominal interest rate of 10%	(500,000)	(500,000)

Risk management

The Corporation is exposed to risks which could have an impact on its capacity to reach its strategic growth objectives. The Corporation strives to control and mitigate the risks through management practices that require the identification and analysis of the risks related to its operations. A detailed description of these risks can be found in the March 31, 2018 Management Discussion & Analysis available on the SEDAR website at www.sedar.com.

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Stock Exchange Listing

DIAGNOS Inc. shares 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