DIAGNOSTEAR TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2024

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CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DIAGNOSTEAR TECHNOLOGIES INC.

Opinion

We have audited the accompanying consolidated financial statements of DiagnosTear Technologies Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and the notes to the consolidated financial statements, including summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024 in accordance with IFRS Accounting Standards ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1C to the consolidated financial statements, which indicates that the Company had an accumulated deficit of $28,269 as at December 31, 2024 and incurred a net loss and had negative cash flows from operations throughout all periods since its inception. These events or conditions, along with other matters as set forth in Note 1C, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Haim Karshi.

FAHN KANNE & CO. GRANT THORNTON ISRAEL
Certified Public Accountants (Isr.)

Tel-Aviv, March 19, 2025

DIAGNOSTEAR TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars in thousands)

	Note	As of December 31, 2024	As of December 31, 2023
Assets			
Current assets			
Cash	5	$ 2,476	$ 275
Other current assets		143	11
Total current assets		2,619	286
Non-current assets			
Property and equipment, net	6	1,388	1,503
Right of use assets, net	7	93	15
Long-term deposits		42	9
Total non-current assets		1,523	1,527
Total assets		$ 4,142	$ 1,813
Current liabilities			
Current maturities of lease liability	7	$ 90	$ 15
Trade payables		31	23
Other current liabilities	8	171	291
Total current liabilities		292	329
Non-current liabilities			
Liability in respect of government grants	9	492	305
Long-term lease liability	7	7	-
Total non-current liabilities		499	305
Shareholders' equity			
Share capital and premium	10	31,505	13,386
Capital reserve in respect of share-based payment		150	137
Capital reserve in respect of transactions with controlling entity, net		5	5
Capital reserve in respect of translation of functional currency translation reserve		(40)	(77)
Accumulated deficit		(28,269)	(12,272)
Total shareholders' equity		3,351	1,179
Total liabilities and shareholders' equity		$ 4,142	$ 1,813

Going concern - note 1C
Subsequent events - note 17

These financial statements were approved for issue by the Board of Directors on March 19, 2025 and signed on its behalf by:

Yaacov Michlin	Shimon Gross	Yifftach Biel
Chairman of the board	Chief Executive Officer	Chief Finance Officer

The accompanying notes are an integral part of the consolidated financial statements.

DIAGNOSTEAR TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars in thousands, except share and per share amounts)

	Note	Year Ended December 31, 2024	2023	2022
Research and development expenses	12A	$ (1,067)	$ (1,003)	$ (943)
General and administrative expenses	12B	(175)	(133)	(157)
Operating loss		(1,242)	(1,136)	(1,100)
RTO transaction expenses	10D	(14,650)	-	-
Financing expenses		(132)	(30)	(103)
Financing income		27	13	16
Financing expenses, net		(105)	(17)	(87)
Loss for the year		$ (15,997)	$ (1,153)	$ (1,187)
Other comprehensive income (loss):				
Amounts that will not be reclassified subsequently to profit or loss:				
Exchange differences from the translation of the financial statements to the presentation currency		37	(5)	(68)
Comprehensive loss for the year		$ (15,960)	$ (1,158)	$ (1,255)
Net loss per share attributed to shareholders of the Company, par value NIS 0.01 each				
Basic and diluted net loss per share:				
Basic and diluted net loss per share		$ (0.46)	$ (0.03)	$ (0.04)
Weighted average of number of shares used to calculate the basic and diluted net loss per share		34,850,963	33,189,825	31,369,873

The accompanying notes are an integral part of the consolidated financial statements.

DIAGNOSTEAR TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian Dollars in thousands)

	Note	Number of outstanding common shares	Share capital and premium	Receipt on account of shares	Capital reserve in respect of share-based payment	Capital reserve in respect of transactions with controlling entity, net	Currency translation reserve	Accumulated deficit	Total
Balance as of January 1, 2022		31,369,872	11,076	-	121	5	(4)	(9,932)	1,266
Receipt on account of shares		-	-	466	-	-	-	-	466
Expiration of share options		-	25	-	(25)	-	-	-	-
Share-based payment	11	-	-	-	31	-	-	-	31
Loss for the year		-	-	-	-	-	-	(1,187)	(1,187)
Other comprehensive loss for the year		-	-	-	-	-	(68)	-	(68)
Balance as of December 31, 2022		31,369,872	$ 11,101	$ 466	$ 127	$ 5	$ (72)	$ (11,119)	$ 508
Issuance of ordinary shares	10C	3,225,979	2,285	(466)	-	-	-	-	1,819
Share-based payment	11	-	-	-	10	-	-	-	10
Loss for the year		-	-	-	-	-	-	(1,153)	(1,153)
Other comprehensive loss for the year		-	-	-	-	-	(5)	-	(5)
Balance as of December 31, 2023		34,625,851	$ 13,386	$ -	$ 137	$ 5	$ (77)	$ (12,272)	$ 1,179
Issuance of ordinary shares	10C	567,150	422	-	-	-	-	-	422
Share-based payment	11	-	-	-	13	-	-	-	13
Shares issued as consideration in the RTO	10D	23,595,334	17,697	-	-	-	-	-	17,697
Loss for the year		-	-	-	-	-	-	(15,997)	(15,997)
Other comprehensive loss for the year		-	-	-	-	-	37	-	37
Balance as of December 31, 2024		58,788,335	$ 31,505	$ -	$ 150	$ 5	$ (40)	$ (28,269)	$ 3,351

The accompanying notes are an integral part of the consolidated financial statements.

DIAGNOSTEAR TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars in thousands)

	Note	Year ended December 31, 2024	2023	2022
Cash flow from current operations				
Loss for the year		$ (15,997)	$ (1,153)	$ (1,187)
Adjustments required to present cash flows from operating activities (Appendix A)		14,501	120	459
Net cash used in operating activities		(1,496)	(1,033)	(728)
Cash flows from investment activity				
Indemnity received for investment in Property and equipment	6	208	-	-
Change in long-term deposits		(30)	-	(10)
Purchase of property and equipment	6	-	(515)	(28)
Net cash provided by (used in) investment activity		178	(515)	(38)
Cash flows from financing activity				
Repayment of lease liability principal	7	(96)	(88)	(93)
Proceeds received on the accounts of shares		-	-	466
RTO transaction (Appendix B)	10D	3,050	-	-
Proceeds received from governmental grant	9	264	-	-
Proceeds received from issuance of ordinary shares through private placement transactions	10C	422	1,819	-
Net cash provided by financing activity		3,640	1,731	373
Exchange differences on cash		(121)	(6)	(28)
Change in balance of cash		2,101	177	(421)
Balance of cash, beginning of year		275	98	519
Balance of cash, end of year		$ 2,476	$ 275	$ 98

Appendix A - Adjustments required to present cash flows from operating activities

	Note	2024	2023	2022
Income and expenses not involving cash flows				
Depreciation		102	87	85
Share-based payment	11	13	10	31
Interest expenses in respect of leasing	7	11	10	9
RTO transaction	10D	14,650	-	-
Changes in liability in respect of government grants	9	(112)	19	93
		14,664	126	218
Changes in asset and liability items				
Decrease in other current assets		1	1	13
Increase (decrease) in trade payables		(15)	(19)	34
Increase (decrease) in other current liabilities		(149)	12	194
		(163)	(6)	241
		$ 14,501	$ 120	$ 459

The accompanying notes are an integral part of the consolidated financial statements.

DIAGNOSTEAR TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars in thousands)

	Note	Year ended December 31, 2024	2023	2022
Appendix B - RTO transaction:	10D			
Consideration of RTO transaction		$ 17,697	$ -	$ -
Transaction non-recurring costs expensed		(14,650)	-	-
Trade payables		3		
		$ 3,050	$ -	$ -
Appendix C - Non-cash financing activities				
Recognition of right of use asset against a leasing liability	7	$ 161	$ 15	$ 88

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 - General

A. Incorporation and Description of Business

DiagnosTear Technologies Inc. (the “Company” or “DiagnosTear”, previously “Oceanview Technologies Inc.”) is a Canadian company which was incorporated under the Business Corporations Act (British Columbia) and commenced operations on May 10, 2023. The Company's registered address is at Suite 2600-1066 West Hastings, Vancouver, Canada

DiagnosTear, through its subsidiary DiagnosTear Ltd. (“DiagnosTear Israel”) (together with the Company, “the Group”), operates in the field of ophthalmology and currently engages in the development of TeaRx™ technology (the “TeaRx”) which is designed for the diagnosis of front-of-the-eye diseases by analyzing the composition of the tear fluid.

In 2019, it was confirmed that the product for Dry Eye Syndrome, based on the aforesaid TeaRx technology, has CE mark, under which the Company may market and sell the TeaRx technology in all countries adopting the European regulatory standard under the CE mark.

B. RTO Transaction

In August 2023, the Company entered into a share exchange agreement (“SEA”) with DiagnosTear Ltd., an Israeli development stage private company and with BioLight (an Israeli public entity which was then a majority shareholder of DiagnosTear Israel). DiagnosTear is the owner and developer of TeaRx.

On November 20, 2024, pursuant to the terms of the SEA, the Company, BioLight and DiagnosTear Israel closed the share exchange transaction (the “RTO”, “RTO transaction”), whereby the shareholders of DiagnosTear Israel exchanged their shares of DiagnosTear Israel for shares of the Company (after the closing of the RTO, the “Resulting Issuer”). Upon closing, BioLight and other former shareholders of DiagnosTear Israel held approximately 60% of the Resulting Issuer. On the same day, the Company changed its name from “Oceanview Technologies Inc.” to “Diagnostear Technologies Inc.”.

On December 9, 2024, the Company’s common shares commenced trading on the Canadian Securities Exchange (the “CSE”) under the symbol “DTR”.

For more information on the implementation of the RTO in these consolidated financial statements, see Note 10D.

C. Financial position of the Company and going concern uncertainty

The Company has devoted substantially all its efforts to develop and commercialize the TeaRx which is expected to require substantial further expenditures. To date, the Company has not yet generated revenues from operations to support its activities, and thus it is dependent upon external sources for financing its operations. Since its inception date, the Company has incurred accumulated losses and has generated negative operating cash flow. As of December 31, 2024, there is an accumulated deficit of $28,269 and incurred a net loss and negative cash flows from operations throughout all periods since its inception. There can be no assurance that the Company will succeed in obtaining the necessary financing or generating revenues from commercial sales of the TeaRx to continue its operations as a going concern.

Note 1 - General (Cont.)

Management has considered the significance of such conditions and determined that the cash on hand as of December 31, 2024, will not be sufficient to operate the business activity of the Company in the foreseeable future. These events and conditions cast significant doubt about the Company’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

D. The impact of Iron Swords war on the Company's business

In October 2023, the Iron Swords War (the “War”) broke out in the State of Israel. The prolongation of the War led to a slowdown in business activity in the Israeli economy, inter alia due to the closure of factories in the south and north of the country, damage to infrastructure, recruitment of reserve forces for an unknown period, and therefore, to disruption of economic activity in Israel. The prolongation of the War may have wide-ranging implications for many branches and different geographical areas in the country.

The potential fluctuations in prices of merchandise, foreign currency exchange rates, availability of materials, availability of personnel, local services and access to local resources may affect entities whose main activity is with or in Israel.

Since this is an event beyond the Company's control and characterized by uncertainty, inter alia as to when the War will end, as of the approval date of these consolidated financial statements, the Company is unable to predict the intensity of the impact of the War on the Company's financial condition and the results of DiagnosTear Israel operations. The War may also impact clinical trials and funds raising required for the operations of the Company.

Note 2 - Basis of Presentation

A. Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS Accounting Standards"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements of the Company for the year ended December 31, 2024, have been prepared by management using the material accounting policies described in Note 3 below and were authorized for issuance in accordance with a resolution of the board of directors on March 19, 2025.

B. Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated audited financial statements have been prepared using the accrual basis of accounting. The material accounting policies set out below have been applied consistently to the periods presented in these audited consolidated financial statements.

C. Use of Significant Accounting Estimates and Assumptions and Judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make accounting estimates and assessments that involve use of judgment and that affect the amounts of assets and liabilities presented in the financial statements, the disclosure of contingent assets and liabilities at the dates of the financial statements, the amounts of expenses during the reporting period and the accounting policies adopted by the Company. Actual results could differ from those estimates.

For information regarding significant estimates and considerations which embody significant sensitivity to future events, see Note 4 below.

D. The Functional Currency and the Presentation Currency

1. The Group entities prepare their financial statements in accordance with the currency of the country and principal economic environment in which each of them operates, which constitutes the functional currency from which they primarily affected (the "Functional Currency"). Management has determined that the Functional Currency of the Company is the Canadian dollar, and the Functional Currency of DiagnosTear Israel is the New Israeli Shekel ("NIS").

2. The Group financial statements are presented in CAD. Consequently, in accordance with IAS 21, "Accounting for Foreign Exchange Rates", results of operations of DiagnosTear Israel were translated into Canadian dollar using the actual action date currency rate and assets and liabilities were translated into Canadian dollar using currency rates at period end. Foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income within shareholders' equity.

Note 3 - Material Accounting Policies

A. Cash

Cash includes highly liquid investments, including short-term bank deposits (with original maturity dates of up to three months from date of deposit) that are not restricted as to withdrawal or use.

B. Property and Equipment

1. Property and equipment items are presented at cost, less accumulated depreciation and accrued impairment losses, if any. Cost includes, in addition to the acquisition cost, all costs that can be directly attributed to bringing the item to the location and condition necessary for operating in accordance with the management's intentions.
2. The residual value and economic useful life of fixed asset items are tested at least at the fiscal year-end.
3. Fixed assets are derecognized when they are realized or when no future economic benefits are expected from their use or disposal.
4. Depreciation of fixed asset begins when it is available for use, which is when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.
5. Depreciation is calculated using the straight-line method, over the estimated useful lives of the fixed asset items or of a significant component.

The annual depreciation rates are as follows:

	%
Computers, office furniture and lab equipment	6 - 33
Leasehold improvements	The shorter of the contract period or the economic life of the leasehold improvement
Production line	(*)

(*) DiagnosTear Israel signed a global commercial production agreement under which Elcam (Shareholder of the Company) undertook to assemble a production line owned by DiagnosTear Israel based on quality control and other specifications as determined in the agreement. As of reported periods, the production line is under construction, and it is not yet available for its intended use and thus depreciation has not commenced.

C. Impairment of Non-financial Assets

Non-financial depreciable assets are tested for possible impairment in value when events or circumstances occur that may indicate that the carrying value of the given asset is not recoverable. When the carrying value of an asset in the statement of financial position exceeds its recoverable value, the Company recognizes an impairment loss in an amount equal to the difference between the carrying value of the asset and its recoverable value, which is the higher of its fair value less cost to sell and its value in use (the present value of the estimated future cash flows expected to derive from the use and realization of the asset). For non-financial depreciable assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized.

Note 3 - Material Accounting Policies (Cont.)

D. Basis of consolidation

The Group's financial statements consolidate those of the parent company and its subsidiaries. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

E. Reverse Takeover

A merger transaction of a private operating entity into a non-operating public shell corporation with nominal net assets is not considered as a business combination transaction because the accounting acquiree (the non-operating public shell corporation), does not meet the definition of a business. Such transaction is considered as capital transactions of the legal acquiree (Reverse Takeover or "RTO") and is accounted for as issuance of shares by the private entity for the net monetary assets of the public shell corporation.

Accordingly, the accounting:

1. The assets and liabilities of the legal subsidiary (the accounting acquirer) recognized and measured at their pre transaction carrying amounts.
2. The assets and liabilities of the legal parent (the accounting acquiree) recognized and measured in accordance with the guidance applicable to business combinations (i.e., generally at fair value).
3. The retained earnings and other equity balances are based on those of the legal subsidiary (accounting acquirer) before the transaction.
4. The amount recognized as issued equity interests in the consolidated financial statements determined by adding the issued equity interest of the legal subsidiary (the accounting acquirer) outstanding immediately before the transaction to the fair value of the legal parent (accounting acquiree) determined. However, the equity structure (the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquiree), including the equity interests the legal parent issued to affect the combination. Thus, the equity structure of the was restated using the exchange ratio established in the RTO to reflect the number of shares of the legal parent (the accounting acquiree) issued in the reverse acquisition.
5. Any excess of the fair value of the shares issued by the legal parent (the accounting acquiree) over the value of its net monetary assets was recognized as transaction expenses under the caption "RTO transaction expenses".

Note 3 - Material Accounting Policies (Cont.)

F. Research and Development Expenses of Internally Generated Intangible Assets

Research expenses are expensed when incurred.

Development expenses are capitalized and recognized as an asset, commencing with the phase during which technological and commercial feasibility is achieved, when the Company has intentions and financial and technological capabilities to complete and use (or sell) the asset, it is expected that the developed asset will generate future economic benefits and it is possible to estimate the development costs in a reliable manner.

The intangible asset is not amortized and it is subject to impairment testing once a year or more frequently if there are signs indicating the existence of possible impairment, until such time as it becomes available for use.

The amortization of the intangible asset commences when the asset becomes available for use, i.e., in the location and condition it requires to operate in the manner intended by Management. The asset is amortized using the straight-line method, over the estimated remainder of the economic life of the product.

An expense in respect of development that does not meet the conditions required to be capitalized as an asset, as above, is carried to profit and loss when incurred. As of the reported periods, the criteria required for capitalization of development expenses were not met.

G. Income Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Note 3 - Material Accounting Policies (Cont.)

H. Financial Assets

Recognition and derecognition

Financial assets are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets are classified into the following categories: amortized cost, fair value through profit or loss (FVTPL), or, fair value through other comprehensive income (FVOCI). During the periods presented, the Company did not have any financial assets categorized under the FVOCI nor FVTPL category.

The classification is determined by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL when such designation is allowed):

- They are held within a business whose objective is to hold the financial assets and collect its contractual cash-flows, and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

I. Impairment of Financial Assets

The Company recognizes an allowance for loss under the "Expected Credit Loss Recognition Model" (ECL Model) for financial debt assets that are not measured at FVTPL model.

For purposes of implementing the ECL Model, the Company assesses at each reporting date whether the credit risk of the financial instrument increased significantly from the date of initial recognition and, as part of the above, use is made of reasonable and established information that can be obtained without exaggerated cost or effort.

J. Financial Liabilities

Financial liabilities are recognized in the statements of financial position if and only if the Company becomes a party to the contractual provisions of the instrument.

Financial Liabilities Measured at Amortized Cost

Financial liabilities measured at amortized cost are recognized initially in the financial statements based on fair value, adjusted for direct transaction costs. Subsequently, these financial liabilities are measured at amortized cost, using the effective interest method.

Note 3 - Material Accounting Policies (Cont.)

K. Derecognition of Financial Instruments

1. Derecognition

Financial assets

A financial asset is derecognized when:

- The contractual rights to cash flows from the financial asset have expired; or
- The Company transfers the financial asset and the transfer qualifies for Derecognition.

Financial liabilities

A financial liability is derecognized when the liability is settled, i.e., when the obligation defined in the contract has been discharged, cancelled or it expired.

2. Offsetting financial instruments

Financial assets and financial liabilities are presented in the statements of financial position at a net amount only when the Company has an enforceable legal right to offset and there is an intention to settle the asset and liability on a net basis or simultaneously.

An enforceable right to offset exists when it can be enforced at any time, both during normal course of business and in the event of insolvency, and when it is not contingent on any future event.

L. Fair Value Measurements

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

The fair value of the Company's financial current assets, trade payables and other current liabilities approximates their carrying value, which is the amount recorded on the statement of financial position.

M. Liability in respect of Government Grants

Government grants in respect of a research and development project received from the Israeli Innovation Authority ("IIA") are recognized as a liability when received and are measured at fair value as of the receipt date, unless at that date, it is reasonably assured that the amount received will not be repaid. Amounts paid as royalties to the IIA are accounted for as a settlement of financial liability. The difference between the amount of the grant received and the fair value of the liability on the recognition date is accounted for as a government grant and, accordingly, it is carried to profit and loss under the item entitled "Research and Development Expenses". The liability amount is reassessed in each period, with any changes in the present value of the cash-flows discounted by the original interest rate, are carried to profit and loss under financing expenses or income. When management determines in subsequent periods with respect to a grant that was recognized as liability, that there is reasonable assurance that the grant will not be repaid, the liability is derecognized, on that date, to profit and loss under the item entitled "Research and Development Expenses".

(Expressed in Canadian Dollars in thousands, except per share amounts)

Note 3 - Material Accounting Policies (Cont.)

N. Employee Benefits

1. Liability in respect of Pensions and Severance Pay

Pursuant to Israeli labor laws and labor contracts and in accordance with DiagnosTear Israel practice, DiagnosTear Israel is required to make severance payments to employees whose work is terminated and, under certain circumstances, to employees who resign or leave on their own initiative. The Company has no employees.

The liability of the Group in respect of post-employment benefits is accounted for as a defined contribution plan. The Group has defined contribution plan for its Israeli employees in accordance with section 14 of Israel's Severance Pay Law - 1963. The actuarial and economic risks in respect of such plan are not borne by the Group. Under this plan, during the employment period, the Group makes regular payments to an independent entity, without the Group having any legal or implied obligation to make any additional payments. The Group regularly deposits money in respect of its liabilities to make severance payments to all of its employees in pension funds and insurance companies.

The following tabular represents amounts paid with the defined contribution plan:

	Year ended December 31,		
	2024	**2023**	**2022**
Expenses in respect of defined contribution plans	$ 80	$ 76	$ 53

2. Short-Term Employee Benefits

Short-term employee benefits include salaries, vacation pay, recreation pay and deposits to the National Insurance Institute (Social Security) if they are expected to be settled within 12-months following the end of the annual reporting period in which the employee renders the relevant services.

O. Provisions for Legal Suits

Provisions for legal suits or disputes are recognized when the Company has a present legal obligation resulted from past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the obligation amount.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

P. Issuance of Financial Instruments as part of a Package

Upon initial recognition, the Company allocates total gross proceeds to the identified components issued as follows: (i) financial liabilities that are measured upon initial recognition and in subsequent periods at FVTPL (such as derivative liabilities), (ii) financial liabilities that are measured in subsequent periods at amortized cost using the effective interest method, and, (iii) the residual amount if any is allocated to all other instruments which are eligible to equity classification. At subsequent date, instruments determined to be classified as financial derivative liability are measured at fair value through profits or loss until their exercise or expiration date.

Incremental and direct issuance costs, if any, are allocated to identified components based on the same proportion as the allocation of the gross proceeds. The portion allocated to instruments accounted for as financial derivative liability are recognized immediately as finance expenses and the portion allocated to instruments accounted for as equity components are charged to equity.

Note 3 - Material Accounting Policies (Cont.)

Q. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease.

At initial recognition, the Company recognizes a lease liability at the present value of the future lease payments (using the Company's incremental interest rate), which include the exercise price of extension options that are reasonably certain to be exercised. At the same time, the Company recognizes a right-of-use asset in the amount of the lease liability, adjusted for any lease payments made on or before the commencement date, net of any lease incentives received, and including any initial direct costs incurred by the Company.

The lease period is the period during which the lease cannot be terminated, including periods covered by an extension option that are reasonably certain to be exercised.

After the commencement of the lease, the right-of-use asset is measured at cost, net of accumulated depreciation and accumulated impairment losses, adjusted for any remeasurement of the liability lease. Depreciation of the right-of-use asset is calculated according to the straight-line method, over the estimated useful life of the leased asset or the lease term, whichever is shorter.

Interest expenses for the lease liabilities are recognized in the statement of profit or loss in each period during the lease period, in an amount that produces a fixed periodic interest rate on the remaining balance of the obligation for the lease.

Regarding short-term leases (leases less than 12 months), the Company implemented practical exception, whereby such leases are accounted for as an expense on a straight-line basis over the lease term.

R. Share-Based Compensation--

Share-based compensation transactions that are settled by equity instruments that were executed with employees or others who render similar services, are measured at their fair value at the grant date using the Black-Scholes option pricing model. The vesting conditions, except for market conditions, are not taken into consideration in estimating the fair value, rather than by adjusting the number of equity instruments included in the measurement of the transaction amount. Such an amount is recognized as an expense with a corresponding credit in equity, over the period in which the employees' right to exercise or receive the equity instruments has vested.

S. Loss Per Share

The basic loss per share is calculated by dividing the net loss attributed to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the period and, if necessary, after deducting shares held by the Company, if any.

For purposes of calculating the diluted loss per share, the loss attributed to the ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding are adjusted in respect of the possible impact of potential ordinary shares that may derive from the exercise or conversion of convertible financial instruments in respect of which there is a dilutive effect.

T. Operating Cycle

The operating cycle of the Company is 12 months.

Note 3 - Material Accounting Policies (Cont.)

U. New Standards, Amendments and Interpretations to Existing Standards that are Effective and Relevant to the Company's Activity

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements)

Commencing January 1, 2024, the Company applied an amendment to IAS 1 — Classification of Liabilities as Current or Non-current (the Amendments).

The amendments clarify the criteria for determining whether to classify a liability as current or non-current and cover what additional disclosures may also be required for liabilities subject to covenants.

The key changes to IAS 1 from the amendments include:

- specifying that for a liability to be classed as non-current, the right to defer settlement must exist at the end of the reporting period;
- the classification as non-current is not affected by management intentions or expectations;
- clarifying the only covenants that an entity must comply with on or before the reporting period affects classification;
- additional disclosures regarding the conditionality of non-current liabilities; and
- clarifying requirements for classifying liabilities if the counterparty has the option to settle by issuing its own equity instruments.

The adoption did not have a significant effect on the consolidated financial statements.

V. Standards, Amendments and Interpretations to Existing Standards that are not yet Effective and have not been Adopted Early by the Company

At the reporting date of these consolidated financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Information on those expected to be relevant to the Company’s consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the pronouncement effective date. New standards, interpretations and amendments not either adopted or listed below, are not expected to have a material impact on the Company’s consolidated financial statements.

Note 3 - Material Accounting Policies (Cont.)

T. Standards, Amendments and Interpretations to Existing Standards that are not yet Effective and have not been Adopted Early by the Company (Cont.)

1. IFRS 18, Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB published IFRS 18, which replaces IAS 1 ‘Presentation of Financial Statements’ with the objective to improve how information is communicated in an entity’s financial statements, particularly in the statement of profit or loss and in its notes to the financial statements.

The main changes that will apply to the financial statements with the implementation of IFRS 18, in relation to the presentation and disclosure instructions that apply today include the following:

- IFRS 18 will change the structure of the profit or loss report and will include three new defined categories: operating, investment and financing and will add two new interim summaries: operating profit and profit before financing and income taxes.
- IFRS 18 includes guidelines for providing disclosure on performance indicators defined by management (Management-defined performance measures).
- IFRS 18 provides guidelines regarding the aggregation and disaggregation of the information in the financial statements.
- IFRS 18 includes amendments to other standards, including limited amendments to International Accounting Standard 7, Statement of Cash Flows.

IFRS 18 will become effective, in a retrospective manner, for annual reporting periods beginning on or after January 1, 2027. Early application of IFRS 18 is permitted.

The Company is examining the possible impact of the new standard on the consolidated financial statements, but at this stage it is unable to assess such an impact. The effect of the new standard, however it may be, will only affect matters of presentation and disclosure.

Note 4 - Significant Accounting Estimates and Considerations

The accounting estimates and assumptions that were used in the preparation of these consolidated financial statements are tested on a regular basis and are based on past experience and other factors, including future events, the occurrence of which is reasonably expected to occur in view of existing circumstances. The Company makes estimates and assumptions regarding future events or conditions. By their very nature, it is rare that such accounting estimates will be identical to actual results. The estimates and assumptions that reflect the highest exposure to material changes in the amount of assets and liabilities in the following year are set out below:

A. Capitalization of development costs

Development expenses are capitalized and recorded as an asset, commencing with the phase during which technological feasibility is achieved, when the Company has intentions and the technical and financial ability to complete and use (or sell) the asset, it is expected that the developed asset will generate future economic benefits and it is possible to estimate the development costs in a reliable manner. In determining whether an expense qualified for capitalization, management estimates the cash flow expected to derive from the asset, the timing of such flows, the discounting rates and the expected benefit period. As noted in note 3D above, as of December 31, 2024 and throughout all reported periods, management determined that the aforesaid conditions were not met and thus development costs were not capitalized.

B. Impairment Assessment of Non-Financial Assets

Non-financial assets (mainly self-built production-line) that have not yet been brought to the location and condition necessary for it to be capable of operating in the manner intended by management) are examined for impairment, on the occurrence of events or changes in circumstances, which indicate that their carrying value will not be recoverable. Impairment loss is recognized to the extent that the carrying amount of non-monetary asset exceeds its recoverable value. The recoverable amount is the higher of the fair value of the asset, less costs to sell, and its value in use. For the purpose of examining impairment, the assets are allocated into the lowest levels for which there are separate identifiable cash flows (cash-generating units). The impairment assessment of such non-financial assets is involved with inherent uncertainty regarding the amounts and timing of estimated future cash flows and the applicable discount rate.

C. Liability in Respect of Government Grants

Government grants in respect of a research and development project that are subject to repayment through future royalties payments are recognized as a liability and are measured at their fair value as of the receipt date, unless at that date, it is reasonably assured that the amount received will not be repaid. In determining these assumptions, management makes use of a forecast regarding revenues expected to derive from the items in respect of which the grants were received and the royalties that have to be paid in respect thereof. There exists a degree of uncertainty in respect of the estimated future cash flows, timing of such cash flows and estimate of the discount rate used in determining the amount of the liability. See also Note 9 below.

(Expressed in Canadian Dollars in thousands, except per share amounts)

Note 5 - Cash

Composition:

	As of December 31, 2024	As of December 31, 2023
Cash in new Israeli shekels	$ 1,369	$ 218
Cash in Canadian Dollar	821	-
Cash in foreign currency (mainly in USD)	286	57
	$ 2,476	$ 275

Note 6 - Property and equipment, net

A. Composition and changes

	Computers, office furniture and lab equipment	Leasehold improvements	Production line	Total
Cost				
At January 1, 2024	$ 112	$ 27	$ 1,429	$ 1,568
Additions	-	-	-	-
Disposal	(44)	-	-	(44)
Indemnity received	-	-	(208)	(208)
Foreign currency translation	8	2	103	113
At December 31, 2024	76	29	1,324	1,429
Accumulated depreciation				
At January 1, 2024	38	27	-	65
Depreciation	14	-	-	14
Disposal	(44)	-	-	(44)
Foreign currency translation	4	2	-	6
At December 31, 2024	12	29	-	41
Net book value:				
At December 31, 2024	$ 64	$ -	$ 1,324	$ 1,388

	Computers, office furniture and lab equipment	Leasehold improvements	Production line	Total
Cost				
At January 1, 2023	$ 119	$ 27	$ 964	$ 1,110
Additions	-	-	515	515
Foreign currency translation	(7)	-	(50)	(57)
At December 31, 2023	112	27	1,429	1,568
Accumulated depreciation				
At January 1, 2023	32	27	-	59
Depreciation	8	-	-	8
Foreign currency translation	(2)	-	-	(2)
At December 31, 2023	38	27	-	65
Net book value:				
At December 31, 2023	$ 74	$ -	$ 1,429	$ 1,503

(Expressed in Canadian Dollars in thousands, except per share amounts)

Note 7 - Leasing

A. General

DiagnosTear Israel leased offices and a laboratory as part of the management service fee agreements executed with BioLight, as described in Note 13 below, in a monthly fee of NIS 20 thousand (approximately $8). The lease period was until January 31, 2024.

In accordance with the provision of IFRS 16, *Leasing*, at the commencement date of the Lease agreement, the Group recognized the right to use asset equal to the lease liability. The lease liability was measured at the present value of the future lease payments, which are discounted based on an estimate of the estimated interest rate that the Company would be required to pay in order to borrow a similar amount for a similar period in order to obtain a similar amount on the date of first recognition of the lease (using a discount rate of 9%). In December 2023, DiagnosTear Israel signed a new office and lab lease agreement in Rehovot for a period of two years in a monthly fee of approximately NIS 20 (approximately $7). The new office and lab became ready for use in February 2024.

B. Right for use asset, net

Composition and changes in 2024

	Offices and laboratory
Cost	
Balance as of January 1, 2024	$ 247
Additions	161
Derecognition of lapsed lease	(247)
Foreign currency translation	28
Balance as of December 31, 2024	189
Accumulated depreciation	
Balance as of January 1, 2024	232
Additions	88
Derecognition of lapsed lease	(247)
Foreign currency translation	23
Balance as of December 31, 2024	96
Net book value as of December 31, 2024	$ 93

Composition and changes in 2023

	Offices and laboratory
Cost	
Balance as of January 1, 2023	$ 246
Additions	15
Foreign currency translation	(14)
Balance as of December 31, 2023	247
Accumulated depreciation	
Balance as of January 1, 2023	162
Additions	79
Foreign currency translation	(9)
Balance as of December 31, 2023	232
Net book value as of December 31, 2023	$ 15

C. Depreciation period and depreciation method

In respect to depreciation period and the depreciation method, see Note 3O above.

(Expressed in Canadian Dollars in thousands, except per share amounts)

Note 7 - Leasing (Cont.)

D. Leasing liability

Composition and changes in 2024

	Offices and laboratory
Balance as of January 1, 2024	$ 15
Additions due to new lease	161
Interest expense	11
Lease payments	(96)
Foreign currency translation into presentation currency	6
Lease liability balance as of December 31, 2024	$ 97

Composition and changes in 2023

	Offices and laboratory
Balance as of January 1, 2023	$ 82
Additions	15
Interest expense	10
Lease payments	(88)
Foreign currency translation into presentation currency	(4)
Lease liability balance as of December 31, 2023	$ 15

E. Amounts recognized in profit and loss:

	Year ended December 31,		
	2024	**2023**	**2022**
Depreciation of the right for use asset	$ 88	$ 79	$ 67
Interest expense in respect of leasing	$ 11	$ 10	$ 9

F. Analysis of contractual payment dates of leasing liability as of December 31, 2024:

Up to a year (undiscounted)	$ 102

(Expressed in Canadian Dollars in thousands, except per share amounts)

Note 8 - Other Current Liabilities

Composition:

	As of December 31, 2024	As of December 31, 2023
BioLight (see also Note 13A below)	$ -	$ 175
Employees and payroll accruals	79	74
Accrued expenses	92	42
	$ 171	$ 291

Note 9 - Liabilities in respect of Government Grants

Through December 31, 2024, DiagnosTear Israel has been receiving grants in respect of participation in research and development from the IIA, in a total amount of $900, including interest (including the grants received during the year 2024, as described below). In return, DiagnosTear Israel undertook to pay annual royalties at a rate of 3% - 3.5% of the revenues that will be derived from the know-how and technology to be developed as part of the projects in respect of which such financing was received. The liability amount is linked to the U.S. dollar and bears interest at SOFR rate.

In January 2024, DiagnosTear Israel was entitled to participation in research and development from the IIA in total amount of $365 under new approval, under which during the year 2024, $264 was received.

The Group recognized a liability in respect of these grants at the date of initial recognition in an amount equal to the fair value of the liability, based on the present value of the expected royalty payments to be paid to IIA as a percentage of sales expectations, discounted at a discount rate of approximately 28%, as assessed by the Group's management. The difference between the amount of the grant received and the amount recognized as a liability, upon initial recognition, was carried to profit and loss (in the profits when the grant was received) against research and development expenses.

Movement:

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Opening balance	$ 305	$ 302	$ 222
Grants received	264	-	-
Changes in liability attributed to research and development expenses	(194)	-	-
Changes in liability due to time value	82	19	93
Foreign currency translation into presentation currency	35	(16)	(13)
	$ 492	$ 305	$ 302

(Expressed in Canadian Dollars in thousands, except per share amounts)

Note 10 - Shareholders' Equity

A. Composition of Share Capital

	As of December 31			
	2024		2023	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Common Stock, without par value	(*) -	58,788,335	(*) -	34,625,851

(*) No maximum amount was determined.

B. Rights Attached to the Common Stock

The shares of Common Stock of the Company grant the holders thereof the right to participate and vote in shareholders meetings, the right to receive a dividend, as declared, the right to participate in distributions of bonus shares and the right to participate in the distribution of the assets of the Company upon liquidation.

C. Issuance of Common Stock

In Diagnostear Israel:

All share accounts represent the updated number of shares after considering the RTO transaction exchange.

1. DiagnosTear Israel entered into 2023 and 2020 Share Purchase Agreements with existing shareholders, under which DiagnosTear Israel issued during the year 2023, 3,225,979 Common stock for total proceeds of $1,819.
2. In June and September 2024, DiagnosTear Israel entered into 2024 Share Purchase Agreements with existing shareholders, under which DiagnosTear Israel issued 567,150 Common stock for total proceeds of $422.

In the Company:

1. During the year 2023, the Company entered into subscription agreements under which 17,200,100 Common Stock were issued to former founders and investors for total proceeds of $187.
2. In September 2024, the Company completed a non-brokered private placement of 3,613,900 subscription receipts at a price of $0.50 per subscription receipt, for gross proceeds of $1,807. Upon satisfaction with certain escrow release conditions in accordance with the terms of a subscription receipt agreement which including completion of the RTO Transaction (see below), each subscription receipt was automatically exchanged, without payment of any additional consideration, for one common share of the Company.
3. In November 2024, the Company completed a non-brokered private placement of 2,293,554 subscription receipts at a price of $0.75 per subscription receipt, for gross proceeds of $1,820. Upon satisfaction with certain escrow release conditions in accordance with the terms of a subscription receipt agreement which including completion of the RTO Transaction (see below), each subscription receipt was automatically exchanged, without payment of any additional consideration, for one common share of the Company and for no further consideration 2,293,554 share purchase warrants (“Warrants”), which entitle the holder to acquire the Company shares until May 20, 2026 for an exercise price of $1.00 per share.

Note 10 - Shareholders' Equity (Cont.)

4. In connection with the non-brokered private placements mentioned above, the Company incurred a finder's fee expense related to the non-brokered private placement consisting of a commitment for issuance of 354,447 shares of common stock of the Company estimated in total amount of $212 and a cash fee of $247.
5. In December 2024, the Company completed a private placement of 133,333 shares at a price of $0.75 per share, for gross proceeds of $100 and for no further consideration issued 133,333 Warrants.

As the financial statements are presented as those of the accounting acquirer (DiagnosTear Israel), the above issuances were not reflected in the financial statements. As part of the completion of the RTO Transaction, the aggregate number of the shares (23,595,334) held by the Company original shareholders before the RTO Transaction are reflected as "Shares issued as consideration in the RTO".

D. Reverse Takeover Transaction

In August 2023, the Company entered into a share exchange agreement ("SEA") with DiagnosTear Ltd., an Israeli development stage private company and with BioLight (an Israeli public entity which was then a majority shareholder of DiagnosTear Israel). DiagnosTear is the owner and developer of TeaRx.

On November 20, 2024, pursuant to the terms of the SEA, the Company, BioLight and DiagnosTear Israel closed the share exchange transaction (the "RTO", "RTO transaction"), whereby the shareholders of DiagnosTear Israel exchanged their shares of DiagnosTear Israel for shares of the Company (after the closing of the RTO, the "Resulting Issuer"). Upon closing, BioLight and other former shareholders of DiagnosTear Israel held approximately 60% of the Resulting Issuer. On the same day, the Company changed its name from "Oceanview Technologies Inc." to "Diagnostear Technologies Inc.". On December 9, 2024, the Company's common shares commenced trading on the Canadian Securities Exchange (the "CSE") under the symbol "DTR".

At the completion of the RTO indicated above, the Company issued 35,193,001 common shares of the Company and 3,440,331 Warrants (as defined above) pro-rata to the shareholders of DiagnosTear Israel in consideration for the acquisition of all issued and outstanding ordinary shares of DiagnosTear Israel. The Company also issued 1,938,452 replacement stock options to holders of options issued by DiagnosTear Israel, which were cancelled in connection with the RTO Transaction (See note 11B).

Accounting policies of RTO

The RTO transaction is accounted for as a reverse merger, under which although the Company is the legal acquirer, DiagnosTear Israel is deemed to be the acquirer for accounting purposes on the basis that the former shareholders of DiagnosTear Israel owned approximately 60% of the issued and outstanding common shares of the Resulting Issuer, which means the control of the combined companies passed to the former shareholders of DiagnosTear Israel. Consequently, the consolidated financial statements are a continuation of the financial statements of DiagnosTear Israel.

As the Company did not qualify as a business according to the definition in IFRS 3 Business Combinations, the RTO does not constitute a business combination. Thus, the RTO Transaction is accounted for as an issuance of shares by DiagnosTear Israel for the net assets of the Company based on their carrying amounts at the effective time of the RTO Transaction. Consideration paid by DiagnosTear Israel for the Company's net assets is measured by calculating the number of common shares that DiagnosTear Israel would have had to issue to acquire all the outstanding shares of the Company, in order to provide the same percentage ownership as they have in the Resulting Issuer as a result of the reverse merger.

Note 10 - Shareholders' Equity (Cont.)

The fair value of the Company’s common shares was used in measuring the consideration paid and was based on the closing price of the Company on the transaction date. Any excess of consideration paid (allocated common shares that were issued to former shareholders of the Company) over carrying amount of identified assets acquired and liabilities assumed was charged immediately to profit and loss.

D. Reverse Takeover Transaction

The fair value of the consideration paid is summarized as follows:

	In thousands
Issuance of 23,595,334 shares of common stock to shareholders of the Company at a price of $0.75 per share	17,697
Total consideration	**$17,697**

The allocation of consideration is as follows:

Cash and cash equivalents (including net proceeds received upon completion of the RTO Transaction)	3,050
Trade payables	(3)
Net assets	**$3,047**
Transaction non-recurring costs expensed	**$14,650**

E. Share capital movement:

	Number of Shares
Common stock of the Company outstanding as of January 1, 2024	**34,625,851**
Common stock issued to shareholders of the Company (see Note 10C)	567,150
Common stock issued to shareholders of the Company (see Note 10D)	23,595,334
Common stock of the Company outstanding as of December 31, 2024	**58,788,335**

F. Warrants

As of December 31, 2024, there are 5,867,218 outstanding warrants, which entitle the holder to acquire the Company shares until May 20, 2026, for an exercise price of $1.00 per share.

Note 11 - Share-Based Payments

A. Equity Incentive Plan

The Board of Directors of the Company has adopted the Company Equity Incentive Plan (the "Plan") on October 6, 2024, under which the Company is entitled to grant share options, restricted shares and restricted share units to designated participants to purchase common shares of the Company, without par value. Under the Plan, options forfeited or cancelled prior to their expiration date become available for future grants. With respect to participants residing in Israel, the Company adopted an appendix to the Equity Incentive Plan that provides for certain "tax qualified" options to be granted to eligible employees and directors under Section 102 of the Israeli Tax Ordinance.

B. Grants

The following option grants were originally granted by DiagnosTear Israel and approved by its Board of directors. Following the RTO transaction, the Company issued 1,938,452 replacement options to all the holders of options issued by DiagnosTear Israel. The number of options, share price and exercise price were changed accordingly in order to preserve the fair value of the original options as of the date of the RTO transaction.

Below is a description of grants to DiagnosTear Israel employees during the years 2022-2024 (Pre RTO transaction). All share accounts represent the updated number of options after considering the RTO transaction exchange:

2022

During the year ended December 31, 2022, DiagnosTear Israel's Board of Directors approved grant of 667,134 share options to the DiagnosTear Israel's CEO. After the RTO, each option is exercisable into one common share of the Company, half of the share options are vested over a year and the remaining are vested equally over the next two years' period, at an exercise price of $0.75 per share (subject to standard adjustments). The fair value of the benefit in respect of the grant was estimated at the total amount of $29 to be carried to profit and loss over the vesting period.

2023

During the year ended December 31, 2023, DiagnosTear Israel's Board of Directors approved grant of 319,266 share options to the Company's CTO and consultant. After the RTO, each option is exercisable into one common share of the Company, over a vesting schedule as determined by the Board of Directors (3 years), at an exercise price of $0.75 per share (subject to standard adjustments). The fair value of the benefit in respect of the grant was estimated at the total amount of $13 to be carried to profit and loss over the vesting period.

2024

In April 2024, DiagnosTear Israel's Board of Directors approved grant of 146,676 share options to certain optionee. After the RTO, each option is exercisable into one common share of the Company, over a vesting schedule as determined by the Board of Directors (3 years), at an exercise price of $0.75 per share (subject to standard adjustments). The fair value of the benefit in respect of the grant was estimated at total amount of $6 to be carried to profit and loss over the vesting period. In December 2024, the options expired.

(Expressed in Canadian Dollars in thousands, except per share amounts)

Note 11 - Share-Based Payment (Cont.)

B. Grants (Cont.)

The fair value of the share options granted, as above, was estimated using the Black-Scholes model. The parameters used in calculating the model were as follows:

	2024 grants	2023 grants	2022 grants
Price per share (*)	$11	$11	$11
Exercise price	$45.00	$44.00	$45.00
Expected volatility (%) (**)	52	52	52
Expected term (in years)	7	7	7
Risk-free interest (%)	4.71	4.71	4.70
Expected dividend rate (%)	-	-	-

(*) Represents share price of DiagnosTear Israel before RTO transaction, see also Note 10D.

(**) Expected volatility was calculated based upon historical volatility of peer companies in the same industry

The following table presents additional data relating to the share-based payment under the Plan, the amounts represent the amounts after the RTO transaction:

	2024			2023			2022		
	Number of options	Weighted average of the exercise price in $	Remaining average contractual life of the options (years)	Number of options	Weighted average of the exercise price in $	Remaining average contractual life of the options (years)	Number of options	Weighted average of the exercise price in $	Remaining average contractual life of the options (years)
Outstanding at January 1,	1,791,776	0.72	4.77	1,642,227	0.71	4.56	1,140,104	0.69	5.24
Granted	146,676	0.75	6.31	319,266	0.75	6.7	667,134	0.75	6.82
Forfeited	(146,676)	0.75	6.31	(169,717)	0.67	-	(165,011)	0.75	5.34
Outstanding at December 31,	1,791,776	0.71	3.72	1,791,776	0.72	4.77	1,642,227	0.71	4.56
Exercisable at December 31,	1,556,992	0.71	3.39	849,053	0.68	3.55	600,986	0.65	3.80

The share-based payment expenses for the years ended December 31, 2024, 2023 and 2022, amounted to $13, $10 and $31, respectively.

NOTE 12 - Profit and loss Expenses

A. Research and development expenses:

	Year ended December 31,		
	2024	2023	2022
Subcontractors	$ 389	$ 195	$ 331
Payroll and related expenses	739	701	484
Patents	18	10	12
Depreciation	102	87	85
Share-based payments	13	10	31
Grants received	(194)	-	-
	$ 1,067	$ 1,003	$ 943

(Expressed in Canadian Dollars in thousands, except per share amounts)

NOTE 12 - Profit and loss Expenses (cont.)

B. General and administrative expenses:

	Year ended December 31, 2024	2023	2022
Management fees to BioLight (See note 13)	$ 137	$ 133	$ 139
Subcontractors	(*) 38	-	18
	$ 175	$ 133	$ 157

(*) Of which $34 expenses incurred by the Company, in the period commencing on the completion of the RTO transaction until December 31, 2024, see also Note 10D.

Note 13 - Related Parties Transactions

Key management personnel include people having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined its key management personnel to be executive officers (CEO and CTO) and directors of the Company.

The Group entered into management service fee agreements with its major shareholder, BioLight, under which the Company is charged in monthly service fee of NIS 50 thousand (approximately $19) for certain services provided by them, which include, inter alia, costs related to customary management services, CFO services and office and lab lease (until February 2024).

In July 2023, the Company entered into an amendment to the management service fee agreement, according to which upon the completion of its listing on the CSE in December 2024 (see also note 10D above), the monthly service fee was increased to total amount of NIS 60 thousand (approximately $22).

The directors of the Company are not cash compensated. For more information about grants of options to directors, after the balance sheet date, see Note 17.

A. Balances with Related Parties

	As of December 31, 2024	2023
Other current assets (liabilities) - management fee to BioLight (see Note 8 above)	$ 15	$ (175)

B. Transactions with related parties

	Year ended December 31, 2024	2023	2022
Operating expenses - management expenses to BioLight (actual expenses)	$ (152)	$ (220)	$ (232)
Interest expense in respect of leasing (see Note 7 above)	$ -	$ (10)	$ (9)

(Expressed in Canadian Dollars in thousands, except per share amounts)

Note 13 - Related Parties Transactions (cont.)

C. Transactions with key management personnel

	Year ended December 31,		
	2024	**2023**	**2022**
Salaries and benefits expenses	(546)	(512)	(296)
Share-based payment expenses	(8)	(10)	(24)
Total expenses recorded in Research and Development	$ (554)	$ (522)	$ (320)

Note 14 - Taxes on Income

A. Taxation of the Company in Israel

General

The corporate tax rate applicable to the parent Company in Canada is 27%.

DiagnosTear Israel is taxed in Israel pursuant to the provisions of the Israeli Income Tax Ordinance (New Version) - 1961 (the "Ordinance").

The corporate tax rate applicable to DiagnosTear Israel for all reported periods is 23%.

B. Losses and Deductions for Tax Purposes - Carried Forward to Future Years

As of December 31, 2024, the carryforward net operating losses of the Company and DiagnosTear Israel amounted to $247 and $12,651, respectively.

The Group did not record deferred taxes in respect of the carryforward loss since their realization is not expected in the foreseeable future.

C. Final Tax Assessment

The Group received no final tax assessments since Inception Date.

As to DiagnosTear Israel, pursuant and subject to the provisions of article 145 of the Ordinance, the reports filed with the Israeli tax authorities for the years up to and including 2019 are considered as final.

(Expressed in Canadian Dollars in thousands, except per share amounts)

D. Income Tax Recovery

A reconciliation of the Company's expected income tax recovery to actual income tax recovery is as follows:

	As of December 31, 2024	As of December 31, 2023
Net operating loss carryforward of DiagnosTear Israel	$ 12,651	$ 10,623
Research and development credits	1,198	867
	13,849	11,490
Income tax rate in Israel	23%	23%
Expected income tax recovery	3,185	2,643
Net operating loss carryforward of DiagnosTear technologies Inc.	$ 247	$ -
Income tax rate in Canada	27%	27%
Expected income tax recovery	67	-
Unrecognized deductible temporary differences and other	(3,252)	(2,643)
Income tax recovery	$ -	$ -

E. The following tabular represents reconciliation between the amount of the "theoretical" tax that would have applied and the amount of the tax on ordinary operating income, as recorded in the statements of comprehensive loss:

	Year ended December 31, 2024	2023	2022
Pre-tax loss as reported in the statements of comprehensive loss	$ 15,997	$ 1,153	$ 1,187
Attributed to DiagnosTear Israel	$ 1,347	$ 1,153	$ 1,187
Corporate tax rate in Israel	23%	23%	23%
	310	265	273
Attributed to DiagnosTear Technologies Inc	14,650	-	-
Corporate tax rate in Canada	27%	27%	27%
	3,956	-	-
Theoretical income tax benefit	4,266	265	273
Non-deductible expenses	(3,956)	(2)	(7)
Losses and timing differences in respect of which no deferred taxes were recorded	(310)	(263)	(266)
Tax expenses in respect of the reported year	$ -	$ -	$ -

Note 15 - Financial Instruments

A. Financial Risk Management

1. General-

The activities of the Company expose it to a range of financial risks: currency risks, market risks, credit risks and liquidity risks. During each period, the Company assesses the financial risks and makes decisions regarding them accordingly.

Risk management is conducted by the management of the Company, which identifies, assesses and hedges the risks to the extent possible.

2. Financial Risk Factors

A. Exposure to Changes in Interest Rate

Interest rate risk is the risk that the fair value or the future cash-flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held in a checking account in a bank and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2024.

B. Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. As of December 31, 2024, the Company's exposure to credit risk is mainly from cash. The Company's cash is held in a checking account in Canadian and Israeli banks. The Company's maximum exposure to credit risk is the carrying value of this asset. Management regularly assesses the financial strength of the financial institutions the Company works with. Accordingly, management believes that the credit risk related to its cash is negligible. The Company has not entered into any financial instruments to mitigate this risk.

The following is a breakdown of the financial assets in respect of which the Company is exposed to credit risks:

	As of December 31,	
	2024	**2023**
Cash	$ 2,476	$ 275
Other current assets	22	11
Total	$ 2,498	$ 286

C. Liquidity Risks

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

As of December 31, 2024, the Company's positive working capital amounted to $2,327. The Company's policy is to manage its liquidity by assessing current forecasts for purposes of managing its cash for operating purposes during the normal course of business. Depending on its current needs, the Company conducts, from time to time, additional rounds of fundraising from its current shareholders, however there is a significant doubt that additional funds will be available to the Company in the future.

(Expressed in Canadian Dollars in thousands, except per share amounts)

Note 15 - Financial Instruments (Cont.)

A. Financial Risk Management (Cont.)

2. Financial Risk Factors (Cont.)

D. Currency exchange risk

Certain expenses and transactions of the Company are carried out in Israeli local currency (which is different than the functional currency of the Company) and therefore expose the Company to fluctuations from changes in exchange rate. However, management believe that the exposure is limited and does not represent a material currency exchange risk.

B. A summary of Financial Instruments Broken Down by Categories:

	As of December 31, 2024	As of December 31, 2023
Financial Assets Measured at Amortized Cost		
Cash	$ 2,476	$ 275
Other current assets	22	11
	2,498	286
Financial Liabilities Measured at Amortized Cost		
Trade payables	31	23
Other current liabilities	171	291
Liability in respect of government grants	492	305
	$ 694	$ 619

C. Fair Value of Financial Instruments

The Group’s financial instruments, which are part of its working capital, include cash, other current assets, trade payables and other current liabilities. As of the reported periods, the balances of these financial instruments in the statements of financial position constitute an approximation of their fair values. In addition, the Company has a liability in respect of government grants that is measured at the initial recognition date at fair value and in subsequent periods at the amortized cost using the effective interest method. Taking into consideration that there has not been a significant change in the discount rate used for recognition of both liability and the current discount rate, the balance constitutes an approximation of fair value.

D. Company Capital Risk Management Policy

The goals of the Group’s capital risk management policy are to preserve its ability to continue operating as a going concern with a goal of providing its shareholders with a yield on their investment and to maintain a beneficial equity structure with a goal of reducing the costs of equity.

The Group may take various steps with the goal of preserving or adapting its equity structure, including the issuance of new shares and warrants through equity fundraising for purposes of meeting its financial obligations and for purposes of continuing its development operations and commencing sales in commercial volumes.

The Company does not have any credit facilities and is therefore not subject to any externally imposed capital requirements or covenants. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flow from operations and anticipated investment and financing activities.

Note 16 - Operating Segments

The Company implements the principles of IFRS 8, *Operating Segments*. Segmental reporting is based on internal management reports which are reviewed regularly by the chief operational decision maker of the Company for purposes of making decisions regarding the allocation of resources and assessment of performance (the "management approach"). Pursuant to IFRS 8, management determined that upon commencement of the Company's business activity as noted in note 1A above and throughout the reporting periods, the Company has a sole reportable segment in this area.

Note 17 - Significant Events After the Reporting Date

Grant of share options

In February 2025, after the balance sheet date, the Company's Board of Directors approved grant of 3,380,095 share options to certain key management personnel, directors and other optionees. Each option is exercisable into one common share of the Company, over a vesting schedule as determined by the Board of Directors (1-3 years vesting), at an exercise price between $0.75-0.53 (mainly $0.53) per share (subject to standard adjustments). The fair value of the benefit in respect of the grant is estimated at the total amount of $1,714 to be carried to profit and loss over the vesting period.

The fair value of the share options granted was estimated using the Black and Scholes model and the following parameters: Price per share - $0.55, Expected volatility - 108% (average of peers), Expected term (in years) - 7 and Risk-free interest - 2.96%.