Management's Discussion and Analysis

For the Financial Year Ended December 31, 2024

(Expressed in Canadian Dollars)

Prepared as of March 19, 2025

ABOUT THIS MD&A

The following management's discussion and analysis ("**MD&A**") of financial condition and results of operations of DiagnosTear Technologies Inc. (the "**Company**", "**DiagnosTear**", previously "Oceanview Technologies Inc.") should be read in conjunction with the Company's audited consolidated financial statements for the financial year ended December 31, 2024, and the accompanying notes thereto (the "**Consolidated Financial Statements**"), which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**"). This MD&A has been prepared as of March 19, 2025, pursuant to the disclosure requirements under National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Additional information relating to DiagnosTear Ltd. is available on SEDAR+ at www.sedarplus.ca.

This MD&A was approved by the board of directors of the Company on March 19, 2025.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements which may constitute "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities law requirements (collectively, "**forward-looking statements**" or "**FLS**"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these FLS, except as required under applicable securities legislation. FLS relates to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, FLS can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature FLS involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the FLS. The Company provides no assurance that FLS will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on FLS.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these FLS are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such FLS are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements.

BUSINESS OVERVIEW

Description of the Business

The Company 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.

The Company, through its subsidiary, DiagnosTear Israel Ltd. ("**DiagnosTear Israel**" and, together with the Company, "the **Group**"), is an ophthalmic company focused on developing and commercializing disruptive diagnostic solutions for eye diseases. The Group has developed a testing platform for multi-parameter analysis of analytes (proteins) in human tears, being the TeaRx™ Point-of-Care Testing ("**POCT**") technology ("**TeaRx™**"), which is designed for the diagnosis of front of-the-eye diseases by multi-parameter analysis of the composition of the tear fluid.

Based upon TeaRx™, the Group has registered patents in the U.S., the European Union and in Israel, developed the first minimally invasive, POCT product for Dry Eye Syndrome (the "**Dry Eye Product**") for multi-parametric assessment of Dry Eye Syndrome ("**DES**"). DiagnosTear is currently developing a POCT product for diagnosis of Red Eye Syndrome (the "**Red Eye Product**") intended for differential diagnosis of Red Eye Syndrome ("**RES**").

Operational Highlights

Dry Eye Product:

In April 2024, DiagnosTear has concluded large-scale clinical trial conducted at LV Prasad Eye Institute ("**LVPEI**") in Hyderabad, India. This trial tested the performance of the Dry Eye Product. The study included approximately 500 DES patients and 100 healthy controls, with the following significant findings:

1. TeaRx™ effectively distinguished between severe DES (Grades 3-4) and non-severe DES patients and healthy controls, achieving sensitivity, specificity, and accuracy of 80.6%, 66.7%, and 68%, respectively.

2. The test also differentiated between DES patients of all severity levels (Grades 1-4) and healthy controls, with sensitivity, specificity, and accuracy levels of 72%, 63%, and 70.1%, respectively.

3. Within the cohort of pre-diagnosed DES patients, TeaRx™ identified the presence of severe Meibomian Gland Dysfunction ("**MGD**"), the most common cause of evaporative DES, with sensitivity, specificity, and accuracy of 80.6%, 61.3%, and 76%, respectively.

4. Notably, when used to predict therapeutic responses to Cyclosporin A ("**CysA**") therapy in DES patients, TeaRx™ achieved sensitivity of 94%, specificity of 63%, and accuracy of 77%. The product demonstrated a high negative predictive value ("**NPV**") of 92.3%, which can aid in identifying patients unlikely to respond to therapy, thereby improving patient selection for treatment.

During 2024, DiagnosTear continues its efforts of commercializing the Dry Eye Product for diagnosis of DES and as companion diagnostics tool for certain therapeutic products.

Red Eye Product:

DiagnosTear is engaged in development of a rapid, point-of-care test for differential assessment of RES (adenoviral conjunctivitis, Herpetic Keratitis and Allergic conjunctivitis). This test is intended to be used by primary care physicians (general practitioners, family practitioners and pediatricians) as well as by

ophthalmologists and is envisioned to allow on-site diagnosis of viral vs. allergic Red Eye and aid the physician in prescribing the optimal treatment and/or refer the patient for further examinations.

In line with the first development milestone as described in the "Business Objectives and Milestones" section of the final long-form prospectus of the Company dated November 14, 2024 (the "**Prospectus**"), during the last quarter of 2024, DiagnosTear completed the design and analytical validations for all 3 individual fully functional tests (i.e., for Adenovirus, for Herpes simplex Types 1 and 2 (HSV1/2), and for Immunoglobulin E (IgE, a biomarker for allergic conjunctivitis)).

In addition, and in line with the Red Eye Product development objective as disclosed in the Prospectus, DiagnosTear continued in its efforts to collect Red Eye Product clinical tear samples and validate the Red Eye Product clinically. To date, DiagnosTear has managed to recruit 83 patients from 4 medical collection sites in Israel (Leumit HMO - 2 sites, Clalit HMO - 1 site, and Shaare Zedek Medical Center - 1 site).

Finally, and in line with the third Red Eye Product development objective, DiagnosTear completed the engineering design of the product device, and finalized the design and production of the plastic injection mold.

General

During 2024, DiagnosTear Israel relocated its offices and R&D laboratory to a facility at 10 Menachem Plaut St., Rehovot, Israel.

In December 2024, the Israeli Standards Institute and IQNET re-certified DiagnosTear Israel as an accredited Medical Device Manufacturer (ISO13485:2016).

Management Highlights

On October 6, 2024, the Company adopted an Omnibus Equity Incentive Plan.

On November 20, 2024, in connection with the RTO (as defined below), Yaacov Michlin (Chairman), Julia Reznick Zilberman (Member of the Audit Committee), John Sinclair (Member of the Audit Committee), Karin Gurevitz (Member of the Audit Committee) and Igal Kohn were appointed as directors of the Company to fill the vacancies created by the resignation of Gabriel Kabazo, Tamir Gedo, Ohad David and Menachem Mendel Oirechman as directors of the Company.

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 in general and as might relate to the War 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.

Reverse Takeover Transaction

In August 2023, the Company entered into a share exchange agreement ("**SEA**") with DiagnosTear Israel and BioLight Life Sciences Ltd. ("**BioLight**"), an Israeli public entity which was then a majority shareholder of DiagnosTear Israel.

On November 20, 2024, pursuant to the terms of the SEA, the Company, BioLight and DiagnosTear Israel closed the share exchange transaction (the "**RTO**"), 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.". As part of and immediately pursuant to the RTO, the company raise $3,050 thousand.

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, as discussed above, the Company issued 35,193,001 common shares of the Company and 3,440,331 common share purchase warrants 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.

The RTO 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 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. 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. The fair value of the Company's common shares that 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.

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)	3,050
Trade payables	(3)
Net assets	**$3,047**
Transaction non-recurring costs expensed recorded as financing expenses	**$14,650**

OVERALL FINANCIAL PERFORMANCE

The Consolidated Financial Statements have been prepared on a going concern basis in accordance with IFRS Accounting Standards. The Company prepares its Financial Statements in accordance with the currency of the country and principal economic environment in which it operates, which constitutes the functional currency from which it is primarily affected (the "**Functional Currency**"). Management has determined that the Functional Currency of the Company is the Canadian dollar ("**C$**", "**$**"), and the Functional Currency of DiagnosTear Israel is the New Israeli Shekel ("**NIS**"). The Consolidated Financial Statements are presented in Canadian dollars. 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.

The Company's auditor's draw attention to Note 1C to the Consolidated Financial Statements, which indicates that the Company had an accumulated deficit of approximately $28,269 thousand as of 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 to the Consolidated Financial Statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

SELECTED ANNUAL INFORMATION

The selected financial information provided below is derived from the Consolidated Financial Statements.

Summary of Statements of Financial Position

	Year ended December 31, 2024 (audited) (C$, thousands)	Year ended December 31, 2023 (audited) (C$, thousands)	Explanation to material changes (C$, thousands)
Current Assets	2,619	286	The current assets comprised mainly from cash. The increase in cash in the year 2024 compared to 2023 is mainly due to completion on the RTO in November 2024.
Non-current Assets	1,523	1,527	The non-current assets were mainly comprised of property and equipment, in the net amounts of $1,388 and $1,503 as of December 31, 2024, and 2023, respectively. The decrease in non-current assets resulted primarily from decrease in property and equipment net (mainly due to indemnity received from Elcam in the production line) which is offset by increase in right of use asset related to the new office lease term in Rehovot.
Total Assets	**4,142**	**1,813**	
Current liabilities	292	329	The current liabilities in 2024 comprised mainly from (i) current maturities of lease liability in the amount of $90 (2023 - $15), (ii) other current liabilities in the amount of $171 (2023 - $291) and (iii) trade payables in the amount of $31 (2023 - $23). The decrease in the current liabilities resulted primarily from the payments of management fees to BioLight after the completion of the RTO.
Non-current liabilities	499	305	The non-current liabilities represent governmental grants received from the Israeli Innovation Authority. The increase is mainly due to a new grant received in 2024. These grants are to be repaid only if and out of future revenues, see note 9 to the Consolidated Financial Statements.
Total liabilities	**791**	**634**	
Shareholders' equity	**3,351**	**1,179**	The increase in the shareholders' equity in 2024 compared to 2023, is mainly due to equity financing related to the RTO.

DISCUSSION OF OPERATIONS

Summary of statements of loss and comprehensive loss

	Year ended December 31, 2024 (audited) (C$, thousands)	Year ended December 31, 2023 (audited) (C$, thousands)	Year ended December 31, 2022 (audited) (C$, thousands)	Explanation to material changes
Research and development expenses	(1,067)	(1,003)	(943)	The research and development expenses were comprised mainly of subcontractors, payroll and related expenses and depreciation. The increase in the research and development expenses in 2024 compared to 2023 is mainly due to the developing efforts of the Red Eye Product, which is offset by grants received from the Israeli Innovation Authority ("**IIA**").
General and administrative expenses	(175)	(133)	(157)	The general and administrative expenses are primarily comprised of management fees paid to BioLight. The increase in the G&A expenses in 2024 compared to 2023 is mainly due to subcontractors' expenses related to the RTO at the year-end.
RTO expenses	(14,650)	-	-	RTO non-recurring costs expensed, see note 10D to the Consolidated Financial Statements.
Financing expenses, net	(105)	(17)	(87)	The change in the financing expenses is mainly due to changes in the liability in respect of governmental grants received from the IIA, mainly due to currency exchange differences.
Loss of the year	**(15,997)**	**(1,153)**	**(1,187)**	
Other comprehensive income (loss)	37	(5)	(68)	The change in other comprehensive loss is mainly due to the currency exchange difference between the Functional Currency of DiagnosTear Israel (NIS) and the presentation currency of the Company (Canadian dollars).
Comprehensive loss for the year	**(15,960)**	**(1,158)**	**(1,255)**	
Basic and diluted net loss per share	**(0.46)**	**(0.03)**	**(0.04)**	

SUMMARY OF QUARTERLY RESULTS

The following table summarizing the financial results of operations for the eight most recently completed fiscal quarters.

As described in the RTO section above, The RTO 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. Consequently, the Consolidated Financial Statements and the below amounts are a continuation of the financial statements of DiagnosTear Israel.

Periods	**Operating Loss**	**Loss for the Period**	**Basic and diluted net loss per share**
	C$, thousands		**C$**
Q4.2024	(15,017)[(1)]	(15,165)	(0.01)
Q3.2024	(333)	(313)	(0.01)
Q2.2024	(350)	(337)	(0.01)
Q1.2024	(192)	(182)	(0.01)
Q4.2023	(270)	(282)	(0.01)
Q3.2023	(267)	(259)	(0.01)
Q2.2023	(347)	(327)	(0.01)
Q1.2023	(252)	(285)	(0.01)

Note:
(1) Including RTO expenses in the amount of $14,650 thousand.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Statements of cash flows

	Year ended December 31, 2024 (audited) (C$, thousands)	**Year ended December 31, 2023 (audited) (C$, thousands)**	**Year ended December 31, 2022 (audited) (C$, thousands)**	**Explanation to material changes (C$, thousands)**
Cash	2,476	275	98	The increase in cash in the year 2024 compared to 2023 is mainly due to completion on the RTO in November 2024.
Net cash used in operating activities	(1,496)	(1,033)	(728)	The increase in net cash used for the years are mainly used for the research and development expenses and the on-going operations.
Net cash used in investment activity	178	(515)	(38)	The positive in net cash provided for investment activity in 2024, is primarily due to indemnity received from Elcam for the production line in the amount of $208. The negative in net cash used for investment activity in 2023, is due to additional investment in the production line.

Net cash provided by financing activity	3,640	1,731	373	The increase in net cash provided by financing activity in 2024 compared to 2023 is mainly due to the RTO in the amount of $3,050 and governmental grants received from IIA in the amount of $264.

The Company's future capital requirements will depend on many factors including, without limitation, the scope of the Company's research and development efforts, the results of the clinical studies that comprise those efforts, the Company's ability to successfully manage its development partners, the Company's ability to grow its business and the Company's ability to conclude licensing or partnering agreements. If the development of the products proceeds as planned, and the scientific results of the planned development work are positive, the Company expects to be in a position to attract new investment and/or obtain additional financing. However, financial market and other conditions may result in the Company not being able to secure the additional financing needed to complete the development of any of its assets on terms acceptable to the Company, or at all.

As of December 31, 2024, the Company had no commitments for capital expenditures and no sources of financing arranged-but-not-used.

Equity Investments

To date, the Group's activities have been funded primarily by equity investments through private placement transactions and the completion of the RTO in November 2024, as discussed above.

Equity investment in DiagnosTear Israel

During the years ended December 31, 2024, 2023 and 2022, DiagnosTear Israel raised total amounts of $422 thousand, $1,819 thousand and $466 thousand, respectively, in equity financing through private placement transactions.

Equity investment in the Company:

1. During the year ended 2023, the Company entered into subscription agreements under which 17,200,100 common shares of the Company were issued to former founders and investors for total proceeds of $187 thousand.

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 thousand. Upon satisfaction with certain escrow release conditions in accordance with the terms of a subscription receipt agreement, which including completion of the RTO, 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 thousand. Upon satisfaction with certain escrow release conditions in accordance with the terms of a subscription receipt agreement which including completion of the RTO, each subscription receipt was automatically exchanged, without payment of any additional consideration, for one unit of the Company, with each unit comprising of one common share of the Company and one common share purchase warrant, with each such common share purchase warrant entitling the holder thereof to acquire one common share of the Company until May 20, 2026, for an exercise price of $1.00 per share.

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 shares of the Company estimated in total amount of $212 thousand and a cash fee of $247 thousand.

5. In December 2024, the Company completed a private placement of 133,333 units of the Company at a price of $0.75 per unit, for gross proceeds of $100 thousand. Each such unit was comprised of one common share of the Company and one common share purchase warrant, with each such common share purchase warrant entitling the holder thereof to acquire one common share of the Company until June 2, 2026, for an exercise price of $1.00 per share.

For more information about the Company's equity financing, see Note 10 to the Consolidated Financial Statements.

Governmental grants

Through December 31, 2024, DiagnosTear Israel received grants in respect of participation in research and development from the IIA, in a total amount of $900 thousand (including the grants received during the year of 2024, as described below), including interest. 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.

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

For more information about the Company's governmental grants, see Note 9 to the Consolidated Financial Statements.

Going concern

As described above, the Company's auditor's draw attention to Note 1C to the Consolidated Financial Statements, which indicates that the Company had an accumulated deficit of $28,269 thousand as of 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 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern**.**

The Company's ability to raise funds from various sources depends substantially on the success of its ongoing research and development programs, economic conditions, and the state of the life sciences industry. Accessing the capital markets can be particularly challenging for companies that operate in the life sciences industry. There can be no assurance that additional funding by way of equity financing will continue to be available. Any additional equity financing, if secured, would result in dilution to the existing shareholders and such dilution may be significant. The Company may also seek additional funding from or through other sources, including technology licensing, co-development collaborations, mergers and acquisitions, joint ventures, and other strategic alliances, which, if obtained, may reduce the Company's interest in its projects or products or result in significant dilution to existing shareholders. There can be no assurance, however, that any alternative sources of funding will be available. The failure of the Company to obtain additional financing on a timely basis may result in the Company reducing, delaying, or cancelling one or more of its planned research, development and/or marketing programs, including clinical trials, further reducing overhead, or monetizing non-core assets, any of which could impair the current and future value of the business or cause the Company to consider ceasing operations and undergoing liquidation.

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.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2024.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered any off-balance sheet transactions that have, or are reasonably likely to have, a current or future effect on the financial performance of financial condition of the Company.

SUMMARY OF MATERIAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the Consolidated Financial Statements, and the reported amount of expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the year in which such adjustments become known.

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 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

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has not changed any accounting policy during the years ended December 31, 2024, 2023 and 2022. All the accounting policies (including accounting policies that were initially adopted) are described in Note 3 to the Consolidated Financial Statements.

RELATED PARTY TRANSACTIONS

The Company's key management personnel consist of those people having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that its key management personnel consist of members of the board of directors and executive officers (currently the Company's CEO and CTO).

The Group entered into management service fee agreements with its major shareholder, BioLight, under which the Company is charged a monthly service fee of NIS 50 thousand (approximately $19 thousand) 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 of the Consolidated Financial Statements), the monthly service fee was increased to total amount of NIS 60 thousand (approximately $22 thousand).

During the years ended December 31, 2024, 2023 and 2022, the Company paid management fees in the amount of $152 thousand, $220 thousand and $232 thousand, respectively.

The remuneration of directors[(1)] and key management personnel[(2)] during the periods ending December 31, 2024, 2023 and 2022, is set out below:

Related Party Reconciliation	**Year Ended December 31, 2024** **(C$, thousands)**	**Year Ended December 31, 2023(3)** **(C$, thousands)**	**Year Ended December 31, 2022** **(C$, thousands)**
Salaries and benefits	546	512	296
Share-based compensation	8	10	24
Total Compensation	**554**	**522**	**320**

Notes:
(1) The Company's directors are not cash compensated.
(2) The amounts represent the CEO's and CTO compensation.
(3) On October 2022, Shimon Gross was appointed to the Company CEO replacing Amos Sommer as acting CEO from September 2021.

As of December 31, 2024, accounts payable and accrued liabilities included accrued executive salaries, short-term benefits of $17 thousand (2023 - $16 thousand).

As of December 31, 2024, the balance with BioLight is shown in the other current asset in the amount of $15 thousand (2023 - $175 thousand, shown as other current liabilities).

FOURTH QUARTER

During the fourth quarter the Company completed the RTO. For a more detailed discussion of the impacts of the RTO on the Company, please see "General Business Overview - Reverse Takeover Transaction" on page 5 above.

DiagnosTear also completed the design and analytical validations for all 3 individual fully functional tests of the Red Eye Product, being for Adenovirus, Herpes simplex Types 1 and 2 (HSV1/2), and Immunoglobulin E (IgE, a biomarker for allergic conjunctivitis) and continued with its efforts to collect Red Eye Product clinical tear samples and validate the Red Eye Product clinically.

PROPOSED TRANSACTIONS

As of December 31, 2024, or the date of this MD&A, the Company had no proposed transactions.

OUTSTANDING SHARE DATA

A summary of the number of the Company's issued and outstanding equity instruments is as follows:

	December 31, 2024	Date of this MD&A
	#	#
Common shares issued and outstanding[(1)]	58,788,335	58,788,335
Equity incentive stock options	1,791,776	5,171,871
Common share purchase warrants[(2)]	5,867,218	5,867,218

Notes:
(1) Authorized: Unlimited common shares without par value.
(2) Each common share purchase warrant entitles the holder thereof to acquire one common share of the Company for $1.00 until May 20, 2026.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

As described in the Operational Highlights section above, the Company is continuing its efforts to commercialize the Dry Eye Product and developing efforts on the Red Eye Product. For more information on the Research and Development expenses see Summary of statements of loss and comprehensive loss above and note 12A to the Consolidated Financial Statements.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, other current assets, accounts payable, accrued liabilities and liability in respect of government grants. Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. See also Note 15 to the Consolidated Financial Statements.

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 cash, other current assets, accounts payable and accrued liabilities approximate their carrying value, which is the amount recorded on the statement of financial position. 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.

The Company's financial instruments expose it to certain financial risks, including credit risk, liquidity risk, interest rate risk and currency exchange risk.

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. For additional information, please refer to Note 15A(2)B to the Consolidated Financial Statements.

Liquidity risk

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 thousand. 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. For additional information, please refer to Note 15A(2)C to the Consolidated Financial Statements.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of December 31, 2024, the Company did not have any financial instruments subject to any material interest rate risk. For additional information, please refer to Note 15A(2)A to the Consolidated Financial Statements.

Currency exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Functional Currency of DiagnosTear Israel is NIS, and, as such, the Company is exposed to currency exchange risk due to fluctuations in foreign exchange rates against the Canadian dollar. For additional information, please refer to Note 15A(2)D to the Consolidated Financial Statements.

KEY DEVELOPMENTS SUBSEQUENT TO DECEMBER 31, 2024

In February 2025, after the balance sheet date, the Company's board of directors approved grant of 3,380,095 incentive stock options to certain key management personnel, directors and other optionees. Each incentive stock option is exercisable into one common share of the Company, over a vesting schedule as determined by the board of directors (between 1-3 years vesting), at an exercise price between $0.53-$0.75 (2,715,622 of

such incentive stock options have an exercise price of $0.53 and 664,473 of such incentive stock options have an exercise price of $0.75) per common share (subject to standard adjustments). The fair value of the benefit in respect of the grant of incentive stock options is estimated at total amount of approximately $1,714 thousand to be carried to profit and loss over the vesting period.

The fair value of the incentive stock options granted was estimated using the Black-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%.

RISKS AND UNCERTAINTIES

In addition to the other information included in this report, readers should consider carefully the risk factors contained in the Prospectus under "Risk Factors", which describe the risks, uncertainties and other factors that may materially and adversely affect the Company's business, products, financial condition and operating results. There are many factors that affect the Company's business and results of operations, some of which are beyond the Company's control. Except as required by law, the Company undertakes no obligation to update any such FLS to reflect events or circumstances after the date of this MD&A.

For a discussion of risk factors, please refer to the final prospectus of the Company under "Risk Factors" therein. The final prospectus dated November 14, 2024, is available under the Company's profile on SEDAR+ at www.sedarplus.ca.