

DIAGNOSTEAR LTD.

INTERIM CONDENSED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2024

UNAUDITED

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of these condensed interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

November 27, 2024

DIAGNOSTEAR LTD.

INTERIM CONDENSED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2024

UNAUDITED

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DIAGNOSTEAR LTD.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars in thousands)

	Note	As of September 30, 2024	As of December 31, 2023
		Unaudited	Audited
Assets			
Current assets			
Cash		\$ 222	\$ 275
Other current assets		14	11
Total current assets		<u>236</u>	<u>286</u>
Non-current assets			
Property and equipment, net		1,284	1,503
Right to use assets, net		105	15
Long-term deposits		32	9
Total non-current assets		<u>1,421</u>	<u>1,527</u>
Total assets		<u>\$ 1,657</u>	<u>\$ 1,813</u>
Current liabilities			
Current maturities of lease liabilities	3C	\$ 83	\$ 15
Trade payables		17	23
Other current liabilities		452	291
Total current liabilities		<u>552</u>	<u>329</u>
Non-current liabilities			
Lease liabilities	3C	26	-
Liability in respect of government grants	3B	299	305
Total non-current liabilities		<u>325</u>	<u>305</u>
Shareholders' equity			
Share capital and premium		13,805	13,386
Capital reserve in respect of share-based payment	A	150	137
Capital reserve in respect of transactions with controlling entity, net		5	5
Capital reserve in respect of translation of functional currency to presentation currency		(76)	(77)
Accumulated deficit		(13,104)	(12,272)
Total shareholders' equity		<u>780</u>	<u>1,179</u>
Total liabilities and shareholders' equity		<u>\$ 1,657</u>	<u>\$ 1,813</u>

These condensed financial statements were approved for issue by the Board of Directors on November 27, 2024, and signed on its behalf by:

<i>"Yaacov Michlin"</i> (signed)	<i>"Shimon Gross"</i> (signed)	<i>"Yiftach Biel"</i> (signed)
Yaacov Michlin	Shimon Gross	Yiftach Biel
Chairman of the board	Chief Executive Officer	Chief Finance Officer

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

DIAGNOSTEAR LTD.

INTERIM CONDENSED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
	Unaudited			
Research and development expenses	\$ (300)	\$ (234)	\$ (783)	\$ (765)
General and administrative expenses	(33)	(33)	(92)	(101)
Operating loss	<u>(333)</u>	<u>(267)</u>	<u>(875)</u>	<u>(866)</u>
Financing expenses	(5)	(3)	(12)	(19)
Financing income	25	11	55	14
Financing income (expenses), net	<u>20</u>	<u>8</u>	<u>43</u>	<u>(5)</u>
Loss for the period	<u>(313)</u>	<u>(259)</u>	<u>(832)</u>	<u>(871)</u>
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	<u>-</u>	<u>(9)</u>	<u>1</u>	<u>(57)</u>
Comprehensive loss for the period	<u>(313)</u>	<u>(268)</u>	<u>(831)</u>	<u>(928)</u>
Loss per share attributed to shareholders of Company, par value NIS 0.01 each				
Basic and diluted loss per share:				
Basic and diluted net loss per share	<u>(0.55)</u>	<u>(0.59)</u>	<u>(1.46)</u>	<u>(1.59)</u>
Weighted average of number of shares used to calculate the basic and diluted net loss per share	<u>566,705</u>	<u>555,947</u>	<u>568,363</u>	<u>547,402</u>

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

DIAGNOSTEAR LTD.

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

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

	<u>Note</u>	<u>Number of outstanding shares</u>	<u>Share capital and premium</u>	<u>Receipt on account of shares</u>	<u>Capital reserve in respect of share-based payment</u>	<u>Capital reserve in respect of transactions with controlling entity, net</u>	<u>Capital reserve in respect of translation of functional currency to presentation currency</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance as of January 1, 2023		513,290	\$ 11,101	\$ 466	\$ 127	\$ 5	\$ (72)	\$ (11,119)	\$ 508
Issuance of ordinary shares		45,199	1,942	(466)	-	-	-	-	1,476
Share-based payment		-	-	-	3	-	-	-	3
Loss for the period		-	-	-	-	-	-	(871)	(871)
Other comprehensive loss for the period		-	-	-	-	-	(57)	-	(57)
Balance as of September 30, 2023 (Unaudited)		<u>558,489</u>	<u>\$ 13,043</u>	<u>\$ -</u>	<u>\$ 130</u>	<u>\$ 5</u>	<u>\$ (129)</u>	<u>\$ (11,990)</u>	<u>\$ 1,059</u>

	<u>Note</u>	<u>Number of outstanding shares</u>	<u>Share capital and premium</u>	<u>Capital reserve in respect of share-based payment</u>	<u>Capital reserve in respect of transactions with controlling entity, net</u>	<u>Capital reserve in respect of translation of functional currency to presentation currency</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance as of January 1, 2024		566,566	\$ 13,386	\$ 137	\$ 5	\$ (77)	\$ (12,272)	\$ 1,179
Issuance of ordinary shares	3A	9,280	419	-	-	-	-	419
Share-based payment		-	-	13	-	-	-	13
Loss for the period		-	-	-	-	-	(832)	(832)
Other comprehensive income for the period		-	-	-	-	1	-	1
Balance as of September 30, 2024 (Unaudited)		<u>575,846</u>	<u>\$ 13,805</u>	<u>\$ 150</u>	<u>\$ 5</u>	<u>\$ (76)</u>	<u>\$ (13,104)</u>	<u>\$ 780</u>

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

DIAGNOSTEAR LTD.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

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

	For the nine months ended	
	September 30,	
	2024	2023
	(Unaudited)	
Cash flow from current operations		
Loss for the period	\$ (832)	\$ (871)
Adjustments required to present cash flows from operating activities (Appendix A)	66	83
Net cash used in operating activities	<u>(766)</u>	<u>(788)</u>
Cash flows from investment activity		
Indemnity received for investment in Property and equipment	208	-
Investment in long-term deposits	(22)	-
Purchase of property and equipment	(2)	(520)
Net cash provided by (used in) investment activity	<u>184</u>	<u>(520)</u>
Cash flows from financing activity		
Proceeds received from issuance of ordinary shares through private placement transactions	419	1,476
Proceeds received from governmental grant	182	-
Repayment of lease liabilities principal	(72)	(66)
Net cash provided by financing activity	<u>529</u>	<u>1,410</u>
Exchange differences on cash	-	(14)
Change in balance of cash	(53)	88
Balance of cash, beginning of period	<u>275</u>	<u>98</u>
Balance of cash, end of period	<u>222</u>	<u>186</u>
Appendix A - Adjustments required to present cash flows from operating activities		
Income and expenses not involving cash flows		
Depreciation	80	64
Share-based payment	13	3
Interest on lease liabilities	8	11
Changes in liability in respect of government grants	(187)	7
	<u>(86)</u>	<u>85</u>
Changes in asset and liability items		
Decrease in other current assets	(4)	(11)
Decrease in trade payables	(6)	(28)
Increase (decrease) in other current liabilities	162	37
	<u>152</u>	<u>(2)</u>
	<u>66</u>	<u>83</u>

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

DIAGNOSTEAR LTD.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Note 1 - General

A. Incorporation and Description of Business

DiagnosTear Ltd. (the “Company” or “DiagnosTear”) was incorporated under the laws of Israel in 2012. The Company’s registered office is located at Rehovot, Israel.

DiagnosTear operates in the field of ophthalmic and currently it engages in 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 a product based on the aforesaid TeaRx technology conforms to the standard standardized under the 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. Share Exchange Agreement

In August 2023, the Company entered into Share Exchange Agreement (the “SEA”) with OceanView Technologies Inc. (the “OceanView”), a Canadian company which was incorporated under the Business Corporations Act (British Columbia), under which, subject to achievement of certain conditions including OceanView to complete a capital raise at a minimum threshold, the shareholders of the Company will exchange their shares, inter alia, for shares of OceanView (the “Resulting Issuer”) representing approximately 60% of the issued and outstanding shares of the Resulting Issuer on a non-diluted basis that will be listed on the Canadian Stock Exchange (the “CSE”) (the “Reverse Takeover (“RTO”) Transaction”).

Following the completion of the provisions of the SEA, the Reverse Takeover Transaction was completed on November 20, 2024 (the “Completion Date”). Following completion of the Reverse Takeover Transaction, all the issued and outstanding share capital of the Company was acquired by Oceanview in exchange for the issuance of 35,193,001 common shares in the capital of Oceanview (the “Oceanview Shares”) and 3,440,331 Oceanview Share purchase warrants (the “Oceanview Warrants”). Each Oceanview Warrant entitles the holder thereof to acquire one (1) Oceanview Share at a price of \$1.00 per Oceanview Share until May 20, 2026. In connection with the Reverse Takeover Transaction, all outstanding options in the Company were cancelled and replaced with the issuance of 1,938,452 incentive stock options by Oceanview.

On the Completion Date Oceanview changed its name to DiagnosTear Technologies Inc.

C. Financial position of the Company

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 September 30, 2024, there is an accumulated deficit of \$13,104 and incurred a comprehensive loss and negative cash flows from operations throughout all periods since its inception.

During the period of nine months ended September 30, 2024, the Company raised net proceeds of \$419, through private placement transaction under which 9,280 Ordinary Shares, par value NIS 0.01 each (the “Ordinary Shares”) have been issued (see Note 3A below).

Management has considered the significance of such conditions and determined that the cash on hand as of September 30, 2024, together with the net proceeds received from capital raising upon completion of the RTO transaction, after the balance sheet date, as described in Note 1B above, will be sufficient to operate the business activity of the Company in the foreseeable future.

DIAGNOSTEAR LTD.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Note 1 - General (Cont.)

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 reservists 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 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 its operations. The War may also impact clinical trials and funds raising required for the operations of the Company.

DIAGNOSTEAR LTD.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Note 2 - Basis of Presentation

- A. The interim condensed financial statements for the three and nine months ended September 30, 2024 have been prepared in accordance with IAS 34, Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2023 (the "Annual Financial Statements"), which have been prepared in accordance with IFRS Accounting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB").

As of September 30, 2024, there have been no material changes to the material accounting policies as outlined in Note 3 of the annual financial statements for the year ended December 31, 2023.

- B. Standards, Amendments and Interpretations to Existing Standards that became Effective and Relevant to the Company's activity**

At the reporting date of these 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 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 financial statements.

Amendments to IAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments replace certain requirements for classifying liabilities as current or non-current. According to the amendments, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it "has substance" and is in existence at the end of the reporting period, this instead of the requirement that there be an "unconditional" right. According to the amendments, a right is in existence at the reporting date only if the entity complies with conditions for deferring settlement at that date. Furthermore, the amendments clarify that the conversion option of a liability will affect its classification as current or non-current, unless when the conversion option is recognized as equity.

The amendments are effective for reporting periods beginning on or after January 1, 2024 with earlier application being permitted. The amendments are applicable retroactively, including an amendment to comparative data.

The implementation of the amendments did not have a material impact on the classification of liabilities in the statements of the Company's financial position.

There are no other accounting pronouncements which have become effective from January 1, 2024 that have a material impact on the Company's interim condensed financial statements.

DIAGNOSTEAR LTD.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Note 2 - Basis of Presentation (Cont.)

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

International Financial Reporting Standard 18, Presentation and Disclosure in Financial Statements ("IFRS 18")

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 in relation to the question of whether information should be included in the main reports or in explanations and disclosures regarding items defined as "other".
- 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 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.

DIAGNOSTEAR LTD.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Note 3 - Significant Events During and After the Reporting Period

A. Funds raising

1. In June 2024, the Company entered into 2024 Share Purchase Agreement with existing shareholders, Elcam Medical Ltd., under which the Company issued 4,121 Ordinary Shares for total consideration of USD 135 thousands (approximately \$185), which represents purchase price of USD 32.76 per share.
2. In September 2024, BioLight Life Sciences Ltd. and Elcam Medical Ltd. partially exercised their option under the 2023 Share Purchase Agreement, under which the Company issued an aggregate amount of 5,159 Ordinary Shares for total consideration of USD 169 thousand (approximately \$234), which represents purchase price of USD 32.76 per share.

B. Liabilities in respect of Government Grant

In January 2024, the Company was entitled to participation in research and development from the Israeli Innovation Authority (“IIA”) in total amount of \$365 under new approval, under which in January 2024 and in October 2024 an amount of approximately \$182 and \$55 was received, respectively.

The Company recognized a liability in respect of this grant at the initial recognition date in an amount equal to the fair value of the liability, based on the present value of the royalty payments payable to the IIA as a percentage of sales, discounted at a discount rate of 28%, as assessed by the Company’s management. The difference between the amount of the grant received and the amount recognized as a liability, as above, was carried to profit and loss against research and development expenses. During the period of nine months ended September 30, 2024, an amount of \$137 was recognized in profit or loss, as grants.

C. Office Leasing

In December 2023, the Company signed a new office and lab lease agreement in Rehovot for a period of two years and an option for another year. The new office and lab were ready for use in February 2024.

In accordance with the provision of IFRS 16, Leasing, at the commencement date of the Agreement, the Company recognized the right to use assets equals to lease liabilities in total amount of \$160. The lease liabilities were 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%).

Note 4 - Fair value of Financial Instruments

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 trade payables and other current liabilities approximates their carrying value, which is the amount recorded on the statement of financial position.