DiagnosTear

Management's Discussion and Analysis

for the nine-month period ended September 30, 2024

(Expressed in Canadian Dollars)

Prepared as of November 27, 2024

ABOUT THIS MD&A

The following management's discussion and analysis ("**MD&A**") of financial condition and results of operations of DiagnosTear Ltd. (the "**Company**", "**DiagnosTear**") should be read in conjunction with the Company's unaudited interim financial statements for the nine months period ended September 30, 2024, and the accompanying notes thereto (the "**Financial Statements**"), which have been prepared in accordance with International IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**"). This MD&A has been prepared as of November 27, 2024, 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 November 27, 2024.

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 was incorporated under the laws of Israel on February 6, 2012. The head office and registered office of the Company is located at Menahem Plaut 10 Rehovot, Israel.

The Company operates in the field of ophthalmic and currently it engages in development of TeaRx™ technology ("**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, 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.

Acquisition Transaction

On August 17, 2023, the Company entered into an arms length share exchange agreement (the "**SEA**") with Biolight Life Sciences Ltd. ("**Biolight**"), as majority shareholder of the Company, and Oceanview Technologies Inc. ("**Oceanview**"). Based on the terms of the SEA, subject to achievement of certain conditions, the shareholders of the Company will exchange their ordinary shares in the capital of the Company (the "**Ordinary Shares**") for common shares in the capital of the combined company (the "**Resulting Issuer**"), representing approximately 60% of the issued and outstanding shares of Resulting Issuer (the "**Reverse Takeover Transaction**") that will be listed on the Canadian Stock Exchange ("**CSE**").

Following the completion of the provisions of the SEA, including Oceanview completing a capital raise of approximately USD 2.5 million, the Reverse Takeover Transaction was completed on November 20, 2024 (the "**Completion Date**"). Following completion of the Reverse Takeover Transaction, all of 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.

OVERALL FINANCIAL PERFORMANCE

The 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 U.S. dollar ("**USD**"). The Financial Statements are presented in Canadian dollars ("**C$**"). Consequently, in accordance with IAS 21, "Accounting for Foreign Exchange Rates", results of operations 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 draw attention to Note 1C to the Financial Statements, which indicates that the Company had an accumulated deficit of $13,104 thousands as of September 30, 2024 and incurred a comprehensive losses and had negative cash flows from operations throughout all periods since its inception.

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 above, will be sufficient to operate the business activity of the Company in the foreseeable future.

SELECTED INTERIM INFORMATION

The selected financial information provided below is derived from the Company's Financial Statements.

Summary of Statements of Financial Position

	As of September 30, 2024 (unaudited) (C$, thousands)	**As of December 31, 2023 (audited) (C$, thousands)**	**Explanation to material changes (C$, thousands)**
Current Assets	236	286	The current assets comprised mainly from cash. The Decrease in cash in the nine-months ended September 30, 2024, compared to 2023 is mainly due to expenses paid for current operating activity offset by equity investment in the Company.
Non-current Assets	1,421	1,527	The non-current assets comprised mainly from property and equipment, net in the amounts of $1,285 and $1,503 as of September 30, 2024, and December 31, 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 to use asset related to the new office lease term in Rehovot.
Total Assets	**1,657**	**1,813**	
Current liabilities	552	329	The current liabilities in September 2024 comprised mainly from (i) liability to Biolight in the amount of $300 (2023 - $175) due to management fees, (ii) employees and payroll accruals in the amount of $86 (2023 - $74) and (iii) accrued expenses in the amount of $66 (2023 - $42). The increase in the current liabilities resulted primarily from the above fluctuations and due to current maturities of lease liability with the signing of a new office and lab lease agreement in Rehovot.
Non-current liabilities	325	305	The non-current liabilities represent governmental grants received from the Israeli Innovation Authority. The increase in mainly due to a new grant received in January 2024.
Total liabilities	**877**	**634**	
Shareholders' equity	**780**	**1,179**	The decrease in the shareholders' equity in September 2024 compared to 2023, is mainly due to the loss incurred during the period of nine-months ended September 30, 2024, in the amount of $832, offset by equity financing through private placements transactions by Ordinary Share issuance in the amount of $419.

DISCUSSION OF OPERATIONS

Summary of Statements of loss and comprehensive loss

	For the three months ended September 30, 2024 (unaudited) (C$, thousands)	For the three months ended September 30, 2023 (unaudited) (C$, thousands)	For the nine months ended September 30, 2024 (unaudited) (C$, thousands)	For the nine months ended September 30, 2023 (unaudited) (C$, thousands)	Explanation to material changes
Research and development expenses	(300)	(234)	(783)	(765)	The increase in the nine months ended September 2024 compared to September 2023, is mainly due to increase in expenses to subcontractors and in payroll offset by governmental grant received in January 2024 from the IIA in the amount of C$137 recorded as a decrease of expenses.
General and administrative expenses	(33)	(33)	(92)	(101)	The general and administrative expenses comprise mainly from management fees to Biolight.
Financing income (expenses), net	20	8	46	(5)	The change in the financing income (expenses), net is mainly due to changes in the liability in respect of governmental grants, mainly due to currency exchange differences.
Loss of the year	(313)	(259)	(832)	(871)	
Other comprehensive income (loss)	-	(9)	1	(57)	The change in other comprehensive loss is mainly due to the currency exchange difference between the Functional Currency of the Company (U.S dollar) and the presentation currency (Canadian dollars).
Comprehensive loss for the year	**(313)**	**(268)**	**(831)**	**(928)**	
Basic and diluted net loss per share	**(0.55)**	**(0.59)**	**(1.46)**	**(1.59)**	

LIQUIDITY AND CAPITAL RESOURCES

Summary of Statements of cash flows

	Nine-months ended September 30, 2024 (unaudited) (C$, thousands)	Nine-months ended September 30, 2023 (unaudited) (C$, thousands)	Explanation to material changes (C$, thousands)
Cash Balance	222	186	The increase in cash in the nine-months ended September 2024 compared to 2023 is mainly due to equity investment through private placements transactions in the Company and governmental grants from IIA offsetting by expenses incurred for current operating activities.
Net cash used in operating activities	(766)	(788)	The change in net cash used for operating activity for the periods are mainly used for the research and development expenses and the on-going operations.
Net cash provided by (used in) investment activity	184	(520)	The positive in net cash provided for investment activity in the nine-months ended September 2024, is primarily due to indemnity received from Elcam for the production line. The negative in net cash used for investment activity in the nine-months ended September 2023, is due to additional investment in the production line.
Net cash provided by financing activity	529	1,410	The decrease in net cash provided by financing activity is mainly due to equity financing through private placements transactions by Ordinary Share issuance in the nine-months period ended September 2024 in the amount of $419 compared to September 2023 in the amount of $1,476.

In the last three years (2021 - 2023) the R&D expenses were $C3,296 thousands. For the nine-months ended September 30, 2024, DiagnosTear incurred an additional $783 thousands in R&D expenses. In accordance with IFRS 8 (see also note 16 to the annual financial statements), DiagnosTear has a sole reportable segment. Up until mid-2023 most of DiagnosTear R&D expenses were for the DES product and from that date most of the R&D expenses were for the RES product. In the R&D expenses there are expenses that are unallocated to a specific product in development, such as salaries, office and lab lease, QA/RA general laboratory consumables etc.

Over the next twelve months, DiagnosTear plans to accomplish the following objectives with respect to its Dry Eye Product and Red Eye Product:

<u>Dry Eye Diagnostic Product:</u>

1. Pursue and act to enter into distribution agreements in EU and Israel regarding the currently approved DES Product (based on the 3 parameters) Expected Completion: June 2025. Expected cost: C$30,000.

Red Eye Diagnostic Product:

1. Finalize the development of a fully functional device to administer the Red Eye Diagnostic Product. Expected Completion: February 2025. Expected cost: C$68,000;
2. Finalize the clinical trials aimed at collection and characterization of approximately 150- 200 clinical RES samples. Expected Completion: May 2025. Expected cost: C$122,000;
3. Finalize injection mold for the Red Eye Diagnostic Product and produce 3,000 Red Eye Diagnostic Products for clinical trials and validations. Expected Completion: May 2025. Expected cost: C$47,000;
4. Ensure the readiness of DiagnosTear to commence the required external, independent clinical trials for obtaining the regulatory approvals for the Red Eye Diagnostic Product in the U.S. (FDA and CLIA waiver). Determine and confirm the trial protocols (FDA pre-submission). Expected Completion: July 2025. Expected cost: C$41,000; and
5. Commence clinical trials in at least three sites in the U.S. and in Israel through a dedicated contract research organization. . Expected Completion: December 2025. Expected cost: C$475,000.

The Company's future capital requirements will depend on many factors including, without limitation, the scope of the Company's research and 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 strong 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 September 30, 2024, the Company had no commitments for capital expenditures and no sources of financing arranged-but-not-used.

Equity Investments

To date, the Company's activities have been funded primarily by equity investments through private placements transactions from its major shareholder and governmental grants from IIA.

During the nine-months ended September 30, 2024, the Company raised total amount of $419 thousands in further equity financing through private placements transaction.

For more information about the completion of the Reverse Takeover Transaction and the capital raise completed in connection therewith, see above.

For more information about the Company's equity financing, see Note 10 to the Financial Statements as of December 31, 2023.

Governmental grants

Through December 31, 2023, the Company has been receiving grants in respect of participation in research and development from the Israeli Innovation Authority ("**IIA**"), in a total amount of $600 thousands, including interest. In return, the Company undertook to pay 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, the Company was entitled to participation in research and development from the IIA in total amount of $365 thousands under new approval, under which in January 2024 and in October 2024 an amounts of approximately $182 thousands and $55 thousands 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 thousands was recognized in profit or loss, as grants.

Going concern

The Company draw attention to Note 1C to the Financial Statements, which indicates that the Company had an accumulated deficit of $13,104 thousands as of September 30, 2024 and incurred a comprehensive losses and had negative cash flows from operations throughout all periods since its inception.

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 above, will be sufficient to operate the business activity of the Company in the foreseeable future.

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 nine-months ended September 30, 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 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 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. Significant estimates in the Financial Statements include capitalization of development costs, Impairment assessment of Non-Monetary assets and liability in respect of government grants.

A summary of the Company's material accounting policies is described in Note 3 to the Financial Statements as of December 31, 2023, and in Note 2 to the Financial Statements as of September 30, 2024.

A summary of the Company's significant accounting estimates and considerations is described in Note 4 to the Financial Statements as of December 31, 2023.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has not changed any accounting policy during the years ended December 31, 2023, 2022 and 2021. All the accounting policies (including accounting policies initially adopted) are described in Note 3 to the Financial Statements as of December 31, 2023 and in Note 2 to the Financial Statements as of September 30, 2024.

REVERSE TAKEOVER TRANSACTION

As described above, on November 20, 2024, the Reverse Takeover Transaction closed and the Company became a wholly-owned subsidiary of Oceanview with Oceanview continuing to be governed by the *Business Corporations Act* (British Columbia) and the Company continuing to be governed by the Israeli Corporation Act. Following completion of the Reverse Takeover Transaction. Oceanview changed its name to "DiagnosTear Technologies Inc."

Oceanview anticipates filing an application to have its common shares listed on the CSE in due course. As of the date hereof, the CSE has conditionally approved Oceanview's listing application.

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 VP technology).

The Company entered into management service fee agreements with Biolight, under which the Company is charged in monthly service fee of NIS 50 thousand (approximately $19 thousands) for certain services provided by them, which include, inter alia, costs related to customary management services (amounted to NIS 30 thousands) and office and lab lease (till February 2024, amounted to NIS 20 thousands).

In July 2023, the Company entered into an amendment to the management service fee agreement, according to which upon the success completion of its listing on the CSE, the monthly management service fee shall be increased up to total amount of NIS 80 thousand (approximately $31 thousands). Currently as the Company no longer leases offices and lab from Biolight, the monthly management service fee is NIS 60 thousand.

During the nine-months ended September 30, 2024 and 2023, the Company recorded management fees in the amount of $92 and $100 thousand, respectively.

The remuneration of directors [(1)] and key management personnel [(2)] during the nine-months ended September 30, 2024 and 2023, is set out below:

Related Party Reconciliation	**Nine-months ended September 30, 2024 (C$, thousands)**	**Nine-months ended September 30, 2023 (C$, thousands)**
Salaries and benefits	414	388
Share-based compensation	8	24
Total	**422**	**412**

Notes:

(1) The Company's directors are not compensated.
(2) The amounts represent the CEO's and VP technology compensation.

As of September 30, 2024, accounts payable and accrued liabilities included accrued executive salaries, management fees to Biolight and short-term benefits of $315 thousand (December 31, 2023 - $191 thousand).

On May 30, 2023, the Company entered into a warrant cancellation agreement with Biolight pursuant to which all warrants issued to Biolight under the share purchase agreement between Biolight, Elcam Medical Ltd. and the Company dated October 15, 2022, were cancelled.

On July 24, 2023, Biolight acquired 7,040 Ordinary Shares at a price per Ordinary Share of US$32.76 for aggregate consideration of US$230,630. Following acquisition of Ordinary Shares, Biolight held directly and indirectly 429,148 Ordinary Shares, representing 76.8% of the issued and outstanding Ordinary Shares.

On November 23, 2023, Biolight acquired 6,758 Ordinary Shares at a price per Ordinary Share of US$32.76 for aggregate consideration of US$221,400. Following the acquisition of Ordinary Shares, Biolight held directly and indirectly 435,906 Ordinary Shares, representing 76.9% of the issued and outstanding Ordinary Shares.

On September 29, 2024, Biolight acquired 3,663 Ordinary Shares at a price per Ordinary Share of US$32.76 for aggregate consideration of US$120 thousand. Following the acquisition of Ordinary Shares, Biolight held directly 439,569 Ordinary Shares, representing 76.3% of the issued and outstanding Ordinary Shares.

OUTSTANDING SHARE DATA

As of September 30, 2024, there were 575,846 Ordinary Shares and share options in respect of 31,718 Ordinary Shares outstanding.

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 Financial Statements as of December 31, 2023.

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 risk.

<u>Interest rate risk</u>

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 September 30, 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 Financial Statements as of December 31, 2023.

<u>Credit risk</u>

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Israel. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low. For additional information, please refer to Note 15A(2)B to the Financial Statements as of December 31, 2023.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash. As of September 30, 2024, the Company had working capital deficit of $316 thousands (December 31, 2023 - $43 thousands). For additional information, please refer to Note 15A(2)C to the Financial Statements as of December 31, 2023.

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 the Company is USD, 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 Financial Statements as of December 31, 2023.

KEY DEVELOPMENTS SUBSEQUENT TO SEPTEMBER 30, 2024

For more information about the completion of the Reverse Takeover Transaction on November 20, 2024 and the capital raise completed in connection therewith, see above

All the significant events after the balance sheet date are described in Note 3 to the Financial Statements of the Company as of September 30, 2024.

RISKS AND UNCERTAINTIES

In addition to the other information included in this report, readers should consider carefully the risk factors contained in the preliminary prospectus of the Company 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.

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