

DIAGNOSTEAR TECHNOLOGIES INC.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2025**

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 consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unreviewed condensed interim consolidated 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 consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

August 27, 2025

DIAGNOSTEAR TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2025

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DIAGNOSTEAR TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars in thousands)

	As of June 30, 2025	As of December 31, 2024
Assets		
Current assets		
Cash	\$ 1,520	\$ 2,476
Short-term deposit	34	-
Other current assets	98	143
Total assets	1,652	2,619
Non-current assets		
Property and equipment, net	1,423	1,388
Right of use assets, net	51	93
Long-term deposits	11	42
Total non-current assets	1,485	1,523
Total assets	\$ 3,137	\$ 4,142
Current liabilities		
Current maturities of lease liability	\$ 55	\$ 90
Trade payables	53	31
Other current liabilities	202	171
Total current liabilities	310	292
Non-current liabilities		
Liability in respect of government grants	468	492
Long-term lease liability	-	7
Total non-current liabilities	468	499
Shareholders' equity		
Share capital and premium	31,505	31,505
Capital reserve in respect of share-based payment	843	150
Capital reserve in respect of transactions with controlling entity, net	5	5
Capital reserve in respect of translation of functional currency translation reserve	(55)	(40)
Accumulated deficit	(29,939)	(28,269)
Total shareholders' equity	2,359	3,351
Total liabilities and shareholders' equity	\$ 3,137	\$ 4,142

These condensed consolidated financial statements were approved for issue by the Board of Directors on August 27, 2025 and signed on its behalf by:

“Yaacov Michlin”

Yaacov Michlin
Chairman of the board

“Shimon Gross”

Shimon Gross
Chief Executive Officer

“Yiftach Biel”

Yiftach Biel
Chief Finance Officer

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

DIAGNOSTEAR TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Research and development expenses	\$ (429)	\$ (317)	\$(913)	\$ (483)
General and administrative expenses	(465)	(33)	(853)	(59)
Operating loss	(894)	(350)	(1,766)	(542)
Financing income, net	164	13	96	23
Loss for the period	\$ (730)	\$ (337)	\$ (1,670)	\$ (519)
Comprehensive loss for the period				
Amounts that will not be reclassified subsequently to profit or loss:				
Exchange differences from the translation of the financial statements to the presentation currency	(28)	(13)	(15)	1
	\$ (758)	\$ (350)	\$ (1,685)	\$ (518)
Net loss per share attributed to shareholders of the Company, par value NIS 0.01 each				
Basic and diluted loss per share:				
Basic and diluted net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.01)
Weighted average of number of shares used to calculate the basic and diluted net loss per share	58,788,335	34,693,017	58,788,335	34,659,220

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

DIAGNOSTEAR TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

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

	Number of outstanding common shares	Share capital and premium	Capital reserve in respect of share-based payment	Capital reserve in respect of transactions with controlling entity, net	Currency translation reserve	Accumulated deficit	Total
Balance as of January 1, 2024 (audited)	34,625,852	\$ 13,386	\$ 137	\$ 5	\$ (77)	\$ (12,272)	\$ 1,179
Issuance of ordinary shares	251,856	185	-	-	-	-	185
Share-based payment	-	-	8	-	-	-	8
Loss for the period	-	-	-	-	-	(519)	(519)
Other comprehensive income for the year	-	-	-	-	1	-	1
Balance as of June 30, 2024	<u>34,877,708</u>	<u>\$ 13,571</u>	<u>\$ 145</u>	<u>\$ 5</u>	<u>\$ (76)</u>	<u>\$ (12,791)</u>	<u>\$ 854</u>

	Number of outstanding common shares	Share capital and premium	Capital reserve in respect of share-based payment	Capital reserve in respect of transactions with controlling entity, net	Currency translation reserve	Accumulated deficit	Total
Balance as of January 1, 2025 (audited)	58,788,335	\$ 31,505	\$ 150	\$ 5	\$ (40)	\$ (28,269)	\$ 3,351
Share-based payment	-	-	693	-	-	-	693
Loss for the period	-	-	-	-	-	(1,670)	(1,670)
Other comprehensive income for the year	-	-	-	-	(15)	-	(15)
Balance as of June 30, 2025	<u>58,788,335</u>	<u>\$ 31,505</u>	<u>\$ 843</u>	<u>\$ 5</u>	<u>\$ (55)</u>	<u>\$ (29,939)</u>	<u>\$ 2,359</u>

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

DIAGNOSTEAR TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Cash flow to current operations		
Loss for the period	\$ (1,670)	\$ (519)
Adjustments required to present cash flows from operating activities (Appendix A)	742	(1)
Net cash used in operating activities	(928)	(520)
Cash flows to investment activity		
Indemnity received for investment in property and equipment	-	208
Investment in long-term deposits	-	(22)
Purchase of property and equipment	-	(1)
Net cash provided by investment activity	-	185
Cash flows to financing activity		
Proceeds received from issuance of ordinary shares through private placement transactions	-	185
Repayment of lease liability principal	(49)	(51)
Proceeds received from governmental grant	-	182
Net cash provided by (used in) financing activity	(49)	316
Exchange differences on cash	21	-
Change in balance of cash	(956)	(19)
Balance of cash, beginning of period	2,476	275
Balance of cash, end of period	\$ 1,520	\$ 256
Appendix A - Adjustments required to present cash flows from operating activities		
Income and expenses not involving cash flows		
Depreciation	45	59
Share-based payment	693	8
Interest expenses in respect of leasing	5	5
Changes in liability in respect of government grants	(37)	(164)
	706	(92)
Changes in asset and liability items		
Decrease (increase) in other current assets	(12)	3
Increase (decrease) in trade payables	22	(4)
Increase in other current liabilities	26	92
	36	91
	\$ 742	\$ (1)

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

DIAGNOSTEAR TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1 - General

A. Incorporation and Description of Business

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

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

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

B. RTO Transaction

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

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

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

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

C. Financial position of the Company and going concern uncertainty

The Company has devoted substantially all its efforts to develop and commercialize the TeaRx which is expected to require substantial further expenditures. To date, the Company has not yet generated revenues from operations to support its activities, and thus it is dependent upon external sources for financing its operations. Since its inception date, the Company has incurred accumulated losses and has generated negative operating cash flow. As of June 30, 2025, there is an accumulated deficit of \$29,939 and incurred a net loss and negative cash flows from operations throughout all periods since its inception. There can be no assurance that the Company will succeed in obtaining the necessary financing or generating revenues from commercial sales of the TeaRx to continue its operations as a going concern.

DIAGNOSTEAR TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED 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 reserve forces for an unknown period, and therefore, to disruption of economic activity in Israel. The prolongation of the War may have wide-ranging implications for many branches and different geographical areas in the country.

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

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

DIAGNOSTEAR TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Note 2 - Basis of Presentation

- A. The interim condensed consolidated financial statements for the three months ended June 30, 2025, have been prepared in accordance with IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2024 (the "Annual Financial Statements"), which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

As of June 30, 2025, 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, 2024, except as described in B below.

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

At the approval 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 for the first period beginning on or after the effective date of the pronouncement. Other than IFRS 18 (see below), certain new Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

IFRS 18, Presentation and Disclosure in Financial Statements

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

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

- IFRS 18 will change the structure of the profit or loss report and will include three new defined categories: operating, investment and financing and will add two new interim summaries: operating profit and profit before financing and income taxes.
- IFRS 18 includes guidelines for providing disclosure on performance indicators defined by management (Management-defined performance measures).
- IFRS 18 provides guidelines regarding the aggregation and disaggregation of the information in the financial statements 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 TECHNOLOGIES INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Note 3 - Significant Events During the Reporting Period

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

The fair value of the share options granted was estimated using the Black and Scholes model and the following parameters: Price per share - \$0.55, Expected volatility - 108% (average of peers), Expected term (in years) - 10 and Risk-free interest - 2.96%.

- b. In May 2025, the Company's Board of Directors approved a grant of 500,000 share options to certain optionees. Each option is exercisable into one common share of the Company, over a vesting schedule as determined by the Board of Directors (6 months vesting), at an exercise price between \$0.50 per share (subject to standard adjustments). The fair value of the benefit in respect of the grant is estimated at the total amount of \$215 to be carried to profit and loss over the vesting period.

The fair value of the share options granted was estimated using the Black and Scholes model and the following parameters: Price per share - \$0.47, Expected volatility - 107% (average of peers), Expected term (in years) - 10 and Risk-free interest - 3.21%.