NurExone biologic

NUREXONE BIOLOGIC INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025

NUREXONE BIOLOGIC INC.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

NUREXONE BIOLOGIC INC.

Opinion

We have audited the consolidated financial statements of NurExone Biologic Inc. and its subsidiaries (the "**Company**"), which comprise the consolidated statements of financial position as at December 31, 2025, and 2024, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1d ("Going concern") in the consolidated financial statements, which indicates that the Company is in a development stage and has not generated any revenues from inception, has incurred a net loss of US$6.4 million during the year ended December 31, 2025 and expects to continue to fund its operations through raising adequate funds in the foreseeable future. As stated in Note 1d, these events or conditions, along with other matters as set forth in Note 1d, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the section "Material Uncertainty Related to Going Concern", we consider that there are no key audit matters to be reported in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ziv Haft

Ziv Haft
Certified Public Accountants (Isr.)
BDO Member Firm

Tel-Aviv, Israel
April 15, 2026

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands (except share and per share data)

	Note	**December 31, 2025**	**December 31, 2024**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4	$ 2,138	$ 700
Restricted cash associated with private placement	5	235	-
Restricted deposit		44	41
Other receivables	6	184	293
Prepaid expenses associated with materials		-	600
Total current assets		2,601	1,634
NON-CURRENT ASSETS:			
Inventory	7	618	-
Property, plant and equipment, net	8	757	759
Right-of-use assets	9	107	48
Total non-current assets		1,482	807
Total assets		$ 4,083	$ 2,441

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands (except share and per share data)

		December 31,	
	Note	**2025**	**2024**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Other payables	10	$ 348	$ 232
Financial liability associated with private placement	5	235	-
Employees and payroll accruals		406	166
Total current liabilities		989	398
NON-CURRENT LIABILITIES:			
Liability associated with royalty payments	11a	55	78
Lease liability	9	70	31
Liability due to Israel Innovation Authority (“**IIA**”) grants	11c	211	173
Total non-current liabilities		336	282
SHAREHOLDERS' EQUITY:			
Share capital	12	-*	-*
Additional paid-in capital	12,13	26,092	19,466
Foreign currency translation reserve		33	(202)
Share-based payment reserve	14	2,117	1,597
Accumulated deficit		(25,484)	(19,100)
Total shareholders' equity		2,758	1,761
Total liabilities and shareholders' equity		$ 4,083	$ 2,441

* Represents an amount lower than $0.5.

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

“Yoram Drucker”	*“Dr. Lior Shaltiel”*	April 15, 2026
Yoram Drucker Chairman of the Board	Dr. Lior Shaltiel Director and CEO	Date of approval of the Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands (except share and per share data)

	Note	Year ended December 31, 2025	2024
Operating expenses:			
Research and development expenses, net	16	$ 2,637	$ 1,868
General and administrative expenses	17	3,686	3,141
Operating loss		6,323	5,009
Financial expenses	18	80	81
Financial income	19	(19)	(47)
Net loss		6,384	5,043
Other comprehensive (gain) loss:			
Items that may be reclassified to profit or loss:			
Loss (gain) from translation of foreign operations		(25)	73
Items that will not be reclassified to profit or loss:			
Loss (gain) from foreign currency translation adjustments		(210)	84
Total comprehensive loss		$ 6,149	$ 5,200
Net loss per share:			
Basic and diluted net loss per share		$ 0.08	$ 0.08
Weighted average number of common shares:			
Basic and diluted		80,015,040	65,417,289

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands (except share and per share data)

	Number of shares	Ordinary share capital *	Additional paid-in capital	Share-based payments reserve	Foreign currency translation reserve	Accumulated deficit	Total equity
Balance as of January 1, 2024	48,249,707	$ -	$ 13,299	$ 992	$ (45)	$ (14,057)	$ 189
Net loss	-	-	-	-	-	(5,043)	(5,043)
Other comprehensive loss	-	-	-	-	(157)	-	(157)
Total comprehensive loss	-	-	-	-	(157)	(5,043)	(5,200)
Expiry of unexercised Options	-	-	16	(16)	-	-	-
Share-based compensation	-	-	-	935	-	-	935
Release of restricted share units	1,275,000	-	302	(302)	-	-	-
Exercise of options	100,070	-	25	(12)	-	-	13
Exercise of warrants	11,197,469	-	3,115	-	-	-	3,115
Issuance of Common Shares in private placements, net of issuance expenses of $63	10,251,352	-	2,709	-	-	-	2,709
Balance as of December 31, 2024	71,073,598	$ -	$ 19,466	$ 1,597	$ (202)	$ (19,100)	$ 1,761
Net loss	-	-	-	-	-	(6,384)	(6,384)
Other comprehensive gain	-	-	-	-	235	-	235
Total comprehensive (loss) gain	-	-	-	-	235	(6,384)	(6,149)
Expiry of unexercised Options	-	-	21	(21)	-	-	-
Share-based compensation	-	-	-	1,290	-	-	1,290
Release of restricted share units	2,000,000	-	749	(749)	-	-	-
Exercise of options	20,000	-	4	-	-	-	4
Exercise of warrants	10,999,065	-	2,947	-	-	-	2,947
Issuance of Common Shares in private placements, net of issuance expenses of $53	6,588,682	-	2,905	-	-	-	2,905
Balance as of December 31, 2025	90,681,345	$ -	$ 26,092	$ 2,117	$ 33	$ (25,484)	$ 2,758

* Represents an amount lower than $0.5.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands (except share and per share data)

	Year ended December 31,	
	2025	**2024**
Cash flows from operating activities:		
Net loss	$ (6,384)	$ (5,043)
Adjustments to the profit or loss items:		
Depreciation of property, equipment and right-of-use assets	185	85
Share-based compensation expenses	1,290	935
Interest expenses	31	16
Revaluation of royalty payments liability	(5)	42
	1,501	1,078
Changes in operating assets and liabilities:		
Increase (decrease) in employees and payroll accruals	204	(133)
Decrease (increase) in other receivables	109	(88)
Increase in prepaid expenses associated with materials	-	(600)
Increase in inventory	(18)	-
Increase (decrease) in other payables	77	(102)
	372	(923)
Net cash used in operating activities	(4,511)	(4,888)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(55)	(649)
Restricted deposit	-	(9)
Net cash used in investing activities	(55)	(658)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands (except share and per share data)

	Year ended December 31,	
	2025	**2024**
Cash flows from financing activities:		
Proceeds from issuance of private placements, net	2,905	2,709
Proceeds from exercise of warrants	2,947	3,115
Proceeds from exercise of options	4	13
Receipt of grants from the IIA	-	71
Payment of lease liabilities	(22)	(30)
Net cash from financing activities	5,834	5,878
Increase in cash and cash equivalents	1,438	159
Cash and cash equivalents at beginning of year	700	541
Exchange gain (loss) on cash and cash equivalents	170	(173)
Cash and cash equivalents at end of year	$ 2,138	$ 700
Other Cash Flow Information:		
Issuance expenses	$ 53	$ 63
Right-of-use asset and lease liability	$ 91	$ 45
Exercise of options, net cashless	$ -	$ 17
Subscription receipt held for investors	$ 235	$ -
Inventory recognized against prepaid expenses associated with materials	$ 600	$ -

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

U.S. dollars in thousands (except share and per share data)

NOTE 1:- GENERAL

a. NurExone Biologic Inc. (formerly EnerSpar Corp.) (the "**Company**" or "**NurExone**") is a publicly traded company with its registered office located at 1 Adelaide St. East, Suite 801, Toronto, Ontario, M5C 2V9, Canada. The Company was incorporated in Alberta in 2011 and is a Reporting Issuer in Alberta, Ontario, and British Columbia. On April 22, 2025, the Company completed a continuance from the Province of Alberta, governed by the *Business Corporations Act* (Alberta), into the Province of Ontario, governed by the *Business Corporations Act* (Ontario).

b. On June 15, 2022, the Company completed a reverse takeover ("**RTO**") with NurExone Biologic Ltd., a private company incorporated under the laws of Israel on June 17, 2020, which primarily operates in Israel ("**NurExone Ltd.**").

The Company is listed on the following stock exchanges:

Under the symbol "NRX"	-	Traded on the TSX Venture Exchange (the "**TSXV**").
Under the symbol "J90"	-	Traded on the Frankfurt Stock Exchange, German Composite, Stuttgart Stock Exchange, Munich Stock Exchange, Berlin Stock Exchange, Hamburg Stock Exchange, and Dusseldorf Stock Exchange.
Under the symbol "NRXBF"	-	Quoted on the Over-the-Counter Qualified Board Venture Market.

c. As of December 31, 2025, the Company has two subsidiaries:
NurExone Ltd., incorporated under the laws of Israel, and Exo-Top Inc. ("**Exo-Top**"), a wholly owned subsidiary formed under the laws of the State of Nevada, United States.

The Company, through its Israeli subsidiary, is developing a platform for biologically guided exosome-based therapies to be delivered in a minimally invasive manner to patients who suffer from central nervous system injuries ("**CNS**"). The Company's first product, ExoPTEN, is developed for acute spinal cord injury ("**SCI**"). ExoPTEN has been granted "Orphan Drug Designation" by the U.S. Food and Drug Administration (the "**FDA**") and the European Medicines Agency. The NurExone platform technology is expected to offer novel solutions to drug companies interested in minimally invasive targeted drug delivery for other indications.

On February 4, 2025, the Company incorporated Exo-Top to advance the Company's Good Manufacturing Practice ("**GMP**") fully characterized exosome production capabilities. The establishment of Exo-Top, together with the acquisition of the Master Cell Bank ("**MCB**"), enhances the Company's control over its exosome manufacturing processes by securing the cell source used for exosome production, as described in Note 7. This positions the Company to potentially commercialize high-quality exosomes to pharmaceutical companies, biotechnology firms, and research institutions globally.

NOTE 1:- GENERAL (cont.)

d. Going concern:

The Company is devoting substantially all of its efforts toward research and development activities. In conducting research and development, the Company has incurred operating losses in each year since its inception, including net losses of $6,384 and $5,043, respectively, for the years ended December 31, 2025, and 2024, and expects such losses to continue for the foreseeable future. As of December 31, 2025, the Company had an accumulated deficit of $25,484.

Management believes that the Company may not have sufficient funds to finance planned operations for the next twelve months. The Company may seek additional financing through the equity and/or debt financing; however, there can be no assurance that such financing will be available on acceptable terms, or at all.

These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The audited consolidated financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company were unable to continue as a going concern.

e. Since October 7, 2023, Israel has been engaged in armed conflict with Hamas, a terror militant group in the Gaza Strip, alongside ongoing hostilities with Hezbollah operating from Lebanon. On June 13, 2025, the conflict escalated into direct military hostilities between Israel and Iran, increasing military activity across the region. Subsequently, on February 28, 2026, Israel and the United States launched coordinated military operations targeting Iran’s missile infrastructure, military sites and leadership positions in Tehran and other locations, these combined regional hostilities are collectively referred to herein as the “**War in Israel**”. On April 8, 2026, a suspension of hostilities was announced between the parties involved with Iran conflict. While this development may reduce immediate military activity, the situation in the region remains uncertain and could evolve. These developments have resulted in heightened security tensions and disruptions to business and economic activity throughout the area. Despite these circumstances, the Company has continued to operate its business activities in Israel, including at its laboratories and offices in Haifa. As of the date of approval of these financial statements, the War in Israel has not had a material adverse impact on the Company’s operations. The Company continues to monitor the situation closely, as the evolving geopolitical environment may affect economic conditions and business operations in the region.

NOTE 2:- MATERIAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the IASB.

The consolidated financial statements have been prepared on a cost basis. The Company has elected to present profit or loss items using the function of expense method.

b. Use of estimates:

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically, and adjustments, if necessary, are made in the year in which they are identified. Actual results could differ from those estimates (Note 3).

c. Consolidated financial statements:

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions and any unrealized income and expenses arising from such transactions are eliminated upon consolidation.

d. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The presentation currency of the financial statements is the U.S. dollar.
The functional currencies of the Company and its subsidiaries, determined based on the primary economic environment in which each entity operates, are as follows:

The Company	-	Canadian dollar ("**C$**")
NurExone Biologic Ltd.	-	New Israeli Shekel ("**NIS**")
Exo-Top Inc.	-	U.S. dollar ("**USD**")

NOTE 2:- MATERIAL ACCOUNTING POLICIES (cont.)

d. Functional currency, presentation currency and foreign currency (cont.):

2. Transactions, assets and liabilities in foreign currency:

Exchange differences arising from the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss, except for a net investment in a foreign operation, in which case exchange differences are recognized in other comprehensive income and accumulated in the foreign exchange reserve, along with the exchange differences arising from the retranslation of the foreign operation.

On consolidation, the results of overseas operations are translated as follows:
All assets and liabilities of overseas operations are translated at the rate prevailing on the reporting date. Exchange differences arising from translating the opening net assets at the opening rate and the results of overseas operations at the actual rate are recognized in other comprehensive income and accumulated in the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognized in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

e. Cash and cash equivalents:

Cash and cash equivalents include cash on hand and deposits on call with banks with original maturities of three months or less.

f. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Machinery and lab equipment	7 - 14
Office furniture and computers	6 - 33
Leasehold improvements	(*)

(*) Leasehold improvements are depreciated on a straight-line basis over the shorter of the laboratory and offices lease term (excluding uncertain extensions) or the improvement's expected useful life.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end, and any changes are accounted for prospectively as a change in accounting estimate.

NOTE 2:- MATERIAL ACCOUNTING POLICIES (cont.)

g. Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method and includes all costs incurred in bringing the inventories to their present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Company reviews inventories on a periodic basis in order to identify slow-moving or obsolete inventory items. Where appropriate, inventories are written down to their net realizable value. The assessment of slow-moving inventory considers, among other factors, historical usage, expected future demand, and the Company's operational and development plans.

h. Research and development costs:

Research expenditures are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to reliably measure the expenditure attributable to the intangible asset during its development. For the periods presented, development costs incurred have not met the criteria for capitalization.

i. Government investment grants:

Government grants received from the Israel Innovation Authority ("**IIA**") are recognized as a liability according to their fair value on the date of their receipt. The amount of the liability is reexamined each period, and any changes in the present value of the cash flows, discounted at the original interest rate of the grant, are recognized in profit or loss. Expenses related to revaluation of the liability in respect of government grants were recognized in the statement of profit or loss and other comprehensive income as finance expenses.

j. Share-based payment transactions:

The Company has implemented an omnibus equity incentive plan (the "**Equity Incentive Plan**"), as described in Note 14a. The Company applies the fair value-based method of accounting for share-based payment arrangements.

The fair value of each option granted to directors, officers, consultants, and employees is accounted for in operations over the vesting period of the option using the Black-Scholes option pricing model at the date of grant, with the related increase to contributed surplus.

NOTE 2:- MATERIAL ACCOUNTING POLICIES (cont.)

j. Share-based payment transactions (cont.):

Upon exercise of the Common Share purchase options ("**Options**"), the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital.

At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of Options that are expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods, or the counterparty renders the service.

k. Financial instruments:

1. Financial assets:

The Company's accounting policy for its financial assets comprising cash, deposit, and other accounts receivable is the amortized cost.

The objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest.

2. Financial liabilities:

The Company classifies its financial liabilities based on the purpose for which the liability was acquired. The Company's accounting policy is as follows:

Amortized cost: other accounts payable are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

l. Fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

NOTE 2:- MATERIAL ACCOUNTING POLICIES (cont.)

l. Fair value (cont.):

Classification of financial instruments by fair value hierarchy:

Assets and liabilities presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy, which is determined based on the source of input used in measuring fair value:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

m. New standards, interpretations and amendments are not yet effective:

In April 2024, the IASB issued IFRS 18 “Presentation and Disclosure in Financial Statements” replacing IAS 1 to improve the usefulness of information presented and disclosed in financial statements. IFRS 18 introduces three sets of new requirements.

The standard defines categories for income and expenses, such as operating, investing and financing, and requires entities to provide new defined subtotals, including operating profit. IFRS 18 also requires entities that define entity-specific measures that are related to the income statement to disclose explanations of those measures.

In addition, it sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes and requires entities to provide more transparency about operating expenses.

These new requirements are to improve entities’ reporting of financial performance and give investors a better basis for analyzing and comparing entities. The standard carries forward many requirements from IAS 1 unchanged. The standard is effective for annual periods beginning on or after January 1, 2027, with early adoption applicable whereby the Company has decided not to adopt early.

The Company is currently evaluating the potential impact that the adoption of the standard will have on its consolidated financial statements.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements in accordance with the IFRS Accounting Standards requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Significant areas of judgment and estimation include, but are not limited to, the following:

1. Government grants:

   Government grants received from the IIA are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flow and the estimated discount rate used to measure the amortized cost of the liability.

2. Share-based compensation:

   The areas requiring the use of estimates and critical judgments that may significantly impact the Company's financial position include share-based compensation costs.
   The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and warrants.
   In estimating fair value, management must make certain assumptions and estimates, such as the expected life of options, the volatility of the Company's future share price, the risk-free rate, future dividend yields, and estimated forfeitures at the initial grant date. Changes in assumptions could result in different outcomes.

These judgments, estimates, and assumptions are based on historical experience, current conditions, and management's expectations of future events.

Changes in circumstances may result in revisions to these estimates, which are recognized in the period in which they are identified.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 4:- CASH AND CASH EQUIVALENTS

	December 31,	
	2025	2024
Cash in banks - CAD	$ 91	$ 208
Cash in banks - NIS	22	353
Cash in banks - USD	20	-
Cash in banks - EUR	3	-
Short-term deposits - CAD (1)	1,459	-
Short-term deposits - NIS (2)	543	139
Total	$ 2,138	$ 700

Notes:

(1) Bearing interest at 1.5%- 2.45% per annum.

(2) Bearing interest at 3.07%- 3.50% per annum.

NOTE 5:- RESTRICTED CASH ASSOCIATED WITH PRIVATE PLACEMENT

On December 31, 2025, the Company issued subscription receipts in a private placement, with proceeds of $235 (C$330) held in trust. The transaction closed on March 10, 2026, generating aggregate proceeds of $642 (C$881), as described in Note 22d. The restricted cash represents subscription proceeds held in trust at year end, and the corresponding amount is presented as a financial liability associated with the private placement until the closing conditions are satisfied and the funds are released.

NOTE 6:- OTHER RECEIVABLES

	December 31,	
	2025	2024
Receivable from tax authorities	$ 78	$ 124
Prepaid expenses	95	166
Other	11	3
Total	$ 184	$ 293

U.S. dollars in thousands (except share and per share data)

NOTE 7:- INVENTORY

On July 22, 2025, the Company obtained title to its GMP-grade MCB, originally prepaid on December 30, 2024, for $600, which had previously been recorded as prepaid expenses associated with materials.

In addition, the Company acquired its Working Cell Bank ("**WCB**") on April 15, 2025, for $18.

Following the transfer of title to the MCB in 2025, both the MCB and WCB are presented as inventory as of December 31, 2025.

	December 31,	
	2025	2024
MCB	$ 600	$ -
WCB	18	-
Total	$ 618	$ -

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT, NET

Composition and movement during the period:

Year ended December 31, 2025:

	Leasehold improvements	Machinery and lab equipment	Office furniture and computers	Total
Cost:				
Balance as of January 1, 2025	$ 348	$ 444	$ 38	$ 830
Additions	-	48	7	55
Currency translation	49	68	5	122
Balance as of December 31, 2025	397	560	50	1,007
Accumulated depreciation:				
Balance as of January 1, 2025	22	46	3	71
Depreciation	84	67	5	156
Currency translation	11	12	-	23
Balance as of December 31, 2025	117	125	8	250
Property, plant and equipment, net as of December 31, 2025	$ 280	$ 435	$ 42	$ 757

U.S. dollars in thousands (except share and per share data)

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT, NET (cont.)

Composition and movement during the period (cont.):

Year ended December 31, 2024:

	Leasehold improvements	Machinery and lab equipment	Office furniture and computers	Total
Cost:				
Balance as of January 1, 2024	$ -	$ 166	$ 5	$ 171
Additions	340	277	32	649
Currency translation	8	1	1	10
Balance as of December 31, 2024	348	444	38	830
Accumulated depreciation:				
Balance as of January 1, 2024	-	12	1	13
Depreciation	22	35	2	59
Currency translation	-	(1)	-	(1)
Balance as of December 31, 2024	22	46	3	71
Property, plant and equipment, net as of December 31, 2024	$ 326	$ 398	$ 35	$ 759

NOTE 9:- RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company holds operating leases for its laboratory and office facility, as well as for vehicles. The lease for the laboratory and office facility has terms of four years and ten months, as described in Note 11b, while vehicle leases generally have three-year terms.

Composition and movements during the period:

	Right-of-use assets		
	Laboratory and offices	Vehicles	Total
As of January 1, 2024	$ -	$ 30	$ 30
Additions	45		
Depreciation expense	(8)	(19)	(27)
As of December 31, 2024	37	11	48
Additions	-	91	91
Depreciation expense	(10)	(19)	(29)
Currency translation	-	(3)	(3)
As of December 31, 2025	$ 27	$ 80	$ 107
Depreciation rate	21%	33%	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 9:- RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (cont.)

Information on leases:

	Year ended December 31,	
	2025	2024
Total cash outflows for leases	$ 22	$ 30
Interest expense on lease liabilities	$ 7	$ 3

NOTE 10:- OTHER PAYABLES

	December 31,	
	2025	2024
Accrued expenses	$ 284	$ 173
Short-term lease liability	38	2
Short-term royalty payments (Note 11a)	26	34
Other	-	23
Total	$ 348	$ 232

NOTE 11:- CONTINGENT LIABILITIES AND COMMITMENTS

a. License Agreement:

On June 23, 2020, the Company obtained an exclusive worldwide license from Technion Research and Development Foundation Ltd. ("**TRDF**") and Ramot at Tel Aviv University Ltd. ("**Ramot**") (the "**TRDF-Ramot License Agreement**") to exploit certain licensed information and related patent rights for the applications defined in the agreement. On August 18, 2021, the Company entered into a first amendment to the TRDF-Ramot License Agreement, pursuant to which the licensors confirmed the Company's good standing under the agreement and amended certain development funding and milestone provisions. On January 25, 2022, the parties entered into a second amendment to the TRDF-Ramot License Agreement pursuant to which an additional patent family, titled "Production Of Extracellular Vesicles From Stem Cells", was added to the licensed intellectual property. On April 27, 2025, the parties entered into a third amendment to the TRDF-Ramot License Agreement, which amended the minimum royalty provisions described below.

Under the terms of the TRDF-Ramot License Agreement:

1. TRDF is entitled to nominate an observer ("**TRDF Observer**") to receive notice of, attend and participate in all Company Board meetings for the duration of the license. A TRDF Observer has been appointed and has attended all Board meetings since the reverse takeover.

2. The Company is responsible for the development, clinical studies, and commercialization of the licensed technology as a licensee and/or sub-licensee.

NOTE 11:- CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

a. License Agreement (cont.):

3. The licensed technology includes one granted patent and two Patent Cooperation Treaty ("**PCT**") applications owned by TRDF and Ramot, related to the exosomes development, in addition to three PCT applications owned by the Company.

4. The license term is determined on a product-by-product and a country-by-country basis, extending until the later of:

   i. 15 years from the first commercial sale in the relevant country, or
   ii. the expiration date of the last licensed patent in that country.

License Commitments:

The Company has agreed to the following commitments under the TRDF-Ramot License Agreement:

1. Equity consideration: Issued 1,683,000 common shares in the capital of the Company ("**Common Shares**") to Ramot and 3,927,000 Common Share purchase warrants ("**Warrants**") to TRDF. The Warrants, exercisable at C$0.005 per share, were fully exercised in February 2021.

2. License fee: Paid a one-time $40 license fee to TRDF.

3. Royalty payments: The Company must pay TRDF royalties equal to 4.25% of net sales of products sold by the Company and its affiliates. In addition, with respect to sales of products by sublicensees, the Company must pay TRDF 50% of the amounts received by the Company or its affiliates on account of such sales, provided that such amount is not less than 2% and not more than 4.25% of the sublicensee's net sales.

4. Sublicense fees: 16% of any sublicense consideration received from sublicenses.

5. Minimum royalties: Commencing April 27, 2025, per the third amendment, the Company is obligated to make a fixed annual payment of $26, which will increase by 30% annually upon initiation of Phase II trials, capped at $50. The minimum royalties are creditable against royalties paid by the Company during the applicable period.

U.S. dollars in thousands (except share and per share data)

NOTE 11:- CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

a. License Agreement (cont.):

As of December 31, 2025, and 2024, the Company's aggregate contingent payment obligations to TRDF based on the minimum royalty schedule were as follows:

	December 31,	
	2025	**2024**
Current liabilities - other payables	$ 26	$ 34
Non-Current liabilities – royalty payments	55	78
Total	$ 81	$ 112

The liability associated with royalties was determined by using the discounted cash flow method, applying a discount rate of 50% to account for the Company's early stage of development. The calculation was based on an 18-year discount period, corresponding to the duration of the intellectual property patent protection.

b. Lease of Laboratory and Office Facility:

On March 1, 2024, NurExone Ltd, entered into a lease agreement (the "**Lease Agreement**") with TRDF for laboratory and office facility. The premises consist of 195 square meters located at the Gutwirth Industrial Park, Technion City, Haifa, Israel.

Upon completion of the leased facility, the Company transitioned from full laboratory services to ad hoc research services provided by TRDF, as described in Note 20.

Key terms of the Lease Agreement:

1. Term: The lease is for a period of four years and ten months, expiring on December 31, 2028.

2. Extension Option: The Company holds an option to extend the lease term for an additional five years. As of the reporting date, the Company has not executed the additional extension

3. Consideration:

   i. For the initial 42 months: Monthly payments of $0.1 (NIS 0.3 plus VAT).
   ii. From the 43rd month until the end of the term: Monthly payments of $3 (NIS 9 plus VAT), linked to the Israeli Consumer Price Index (CPI).

4. Security Deposit: The Company maintains a security deposit of $14 (NIS 50) with the Technion, which is refundable upon completion of the lease term in accordance with the Lease Agreement.

NOTE 11:- CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

c. Collaboration Agreement:

On November 30, 2023, the Company entered into a two-year collaboration agreement with Inteligex Inc. (the "**Inteligex Agreement**") under the Israel-Canada bilateral Eureka program, focusing on hybrid therapies for SCI.

Under the agreement, Inteligex contributed its expertise in SCI and human stem cell therapy, while the Company provided advanced capabilities in exosome biology, including production isolation, and targeted delivery technologies. The collaboration aimed to leverage the complementary strengths and intellectual property portfolios of both parties to advance novel therapeutic approaches in CNS diseases. The project was approved for grant support by the IIA as a new bilateral collaboration. Continuation into the second year was contingent on IIA reapproval, and the agreement outlined a structured framework for joint research, including defined milestones, experimental objectives, and reporting obligations.

Due to shipment delays from Canada to Israel, primarily caused by the absence of direct flights, the IIA granted a nine-month extension for the first year, extending its term until June 30, 2025, to allow completion of planned activities.

As of December 31, 2025, the Company completed its first-year grant obligations under the Israel–Canada bilateral Eureka program and submitted the required annual report summarizing the research activities and results achieved during the period.

The collaboration under the Eureka program has not progressed to its second year, as Inteligex did not meet the financial requirements set by the Canadian authorities for continuation. Consequently, the IIA does not have the authority to approve an extension of the program solely for the Israeli partner.

d. Government Grants:

The Company is obligated to pay royalties to the IIA at rates ranging from 3% to 3.5% on sales proceeds from products developed with support from IIA grants.
The total royalties payable are capped at 100% of the grants received, and include an annual interest rate, which is the higher of:

1. the 12-month SOFR rate, plus 1%, or
2. a fixed annual interest rate of 4%.

Grants received are accounted for as forgivable loans in accordance with IAS 20 (Revised) and IFRS 9. The loan liability is initially measured at fair value and reassessed quarterly using a discount rate of 11%–15% over the entire period of the grant, which commenced in 2024. The difference between the grant amount and its fair value is recognized as a government grant, reducing research and development expenses. The obligation to pay royalties is contingent upon actual product sales; if no sales occur, no royalty payments are required. The Company anticipates generating sales that will trigger royalty payments starting in 2032.

As of December 31, 2025, the Company's aggregate contingent obligations to IIA, based on royalty-bearing grants received or accrued, amounted to $211, including $24 of accrued interest.

U.S. dollars in thousands (except share and per share data)

NOTE 12:- SHAREHOLDERS' EQUITY

a. Share capital:

The Company's authorized share capital consists of an unlimited number of Common Shares without par value.

The following table summarizes the authorized, issued and outstanding share capital as follows:

	Authorized as of December 31,		Issued and outstanding as of December 31,	
	2025	**2024**	**2025**	**2024**
Common Shares without a nominal par value	Unlimited	Unlimited	90,681,345	71,073,598

b. Composition and movements of Share capital during the period:

The following table summarizes the changes in the issued and outstanding Common Shares for the two years ended December 31, 2025:

	Note	Number of Shares
Outstanding as of December 31, 2023		48,249,707
Issuance of Common Shares from private placements	12b1	10,251,352
Issuance of Common Shares from an exercise of options	12b2	100,070
Issuance of Common Shares from an exercise of warrants	12b3	11,197,469
Issuance of Common Shares from release of RSUs	12b4	1,275,000
Outstanding as of December 31, 2024		71,073,598
Issuance of Common Shares from private placements	12b5	6,588,682
Issuance of Common Shares from an exercise of options	12b6	20,000
Issuance of Common Shares from an exercise of warrants	12b7	10,999,065
Issuance of Common Shares from release of RSUs	12b8	2,000,000
Outstanding as of December 31, 2025		90,681,345

NOTE 12:- SHAREHOLDERS' EQUITY (cont.)

b. Composition and movements of Share capital during the period (cont.):

1. Issuance of 10,251,352 Common Shares pursuant to the 2024 private placements:

i. On January 4, 2024, the Company completed a non-brokered private placement (the "**January 2024 Private Placement**"), issuing a total of 7,091,993 units (each, a "**January 2024 Private Placement Unit**") at a price of C$0.28 per unit. The private placement generated gross proceeds of $1,487 (C$1,986), with $17 (C$23) deducted for issuance costs. Each unit issued in the January 2024 Private Placement consisted of: (i) Common Share, and (ii) one Common Share purchase warrant (each, a "**January 2024 Private Placement Warrant**"). Each January 2024 Private Placement Warrant entitles the holder to purchase one Common Share at a price of C$0.35 per Common Share for a period of 36 months from the closing date of the January 2024 Private Placement. The January 2024 Private Placement Warrants are subject to an accelerated expiration clause. If the daily volume-weighted average trading price of the Common Shares on the TSXV equals or exceeds C$0.80 for any 20 consecutive trading days, the Company may issue a written notice to warrant holders, accelerating the expiry date to a minimum of 30 days from the notice date. January 2024 Private Placement Warrants not exercised by the accelerated expiry date would expire and become void.

ii. On September 26, 2024, the Company completed the first tranche of a non-brokered private placement (the "**September 2024 Private Placement**"), issuing 2,927,541 units (each a "**September 2024 Private Placement Unit**") at a price of C$0.55 per unit. Each unit consists of: (i) one Common Share and (ii) one warrant to purchase a Common Share (each, a "**September 2024 Private Placement Warrant**").

iii. On November 1, 2024, the Company closed the second and final tranche of September 2024 Private Placement, issuing 231,818 additional units for gross proceeds of $91 (C$127). The September 2024 Private Placement raised total gross proceeds of $1,285 (C$1,738) through the issuance of 3,159,359 September 2024 Private Placement Units, with $46 (C$62) deducted as issuance costs. Each September 2024 Private Placement Warrant entitles the holder to purchase one Common Share at a price of C$0.70 per share for a period of 36 months, subject to acceleration. This first tranche raised total gross proceeds of $1,194 (C$1,611). If the daily volume-weighted average trading price of the Common Shares on the TSXV equals or exceed C$1.05 for any 10 consecutive trading days, the Company may issue a written notice to warrant holders, accelerating the expiry date to no less than 30 days from the notice date. September 2024 Private Placement Warrants not exercised by the accelerated expiry date will expire and become void.

NOTE 12:- SHAREHOLDERS' EQUITY (cont.)

b. Composition and movements of Share capital during the period (cont.):

2. Issuance of 100,070 Common Shares pursuant to the exercise of Options in 2024:

i. Cashless Exercise - Options exercised on a cashless basis, resulted in the issuance of 83,070 Common Shares. These exercises occurred on March 18, April 16, and July 11, 2024, and led to the expiration of 69,930 unexercised Options.

ii. Cash Exercise - On June 13, 2024, 17,000 Options were exercised for cash at an exercise price of C$0.33, resulting in the issuance of 17,000 Common Shares and generating gross proceeds of $4 (C$6).

3. Issuance of 11,197,469 Common Shares pursuant to the exercise of Warrants in 2024:

i. Accelerated Exercise of June 2022 Warrants - On March 22, 2024, the Company completed the accelerated exercise process for 12,682,340 Warrants issued under the June 15, 2022 private placement (the "**June 2022 Warrants**"). Following the acceleration notice, 9,684,993 of these Warrants were exercised at an exercise price of C$0.38, generating gross proceeds of $2,714 (C$3,680). The remaining 2,997,347 June 2022 Warrants expired unexercised. The Company exercised its contractual right to accelerate the expiry date once its Common Shares exceeded C$0.475 for 10 consecutive trading days on the TSXV.

ii. Exercise of Non-Accelerated Warrants - In addition to the accelerated June 2022 Warrants, the Company raised $205 (C$277) in gross proceeds from the exercise of non-accelerated Warrants issued under the September 2023 Private Placement, including 556,818 Warrants exercised at C$0.34 for gross proceeds of $140 (C$190) and 181,818 Warrants exercised at C$0.48 for gross proceeds of $65 (C$87).

iii. January 2024 Private Placement Warrant - In 2024, the Company also issued 773,840 Common Shares upon the exercise of Warrants issued under the January 2024 Private Placement, at an exercise price of C$0.35 per share, generating gross proceeds of $196 (C$271).

4. Issuance of 1,275,000 Common Shares related to the 2024 release of RSUs:

On May 8, 2024, the Company issued 1,275,000 Common Shares upon the release of RSUs, following a one-year period vesting anniversary, to certain officers and directors.

NOTE 12:- SHAREHOLDERS' EQUITY (cont.)

b. Composition and movements of Share capital during the period (cont.):

5. Issuance of 6,588,682 Common Shares pursuant to the 2025 private placements:

i. On January 21, 2025, the Company completed a non-brokered private placement (the "**January 2025 Private Placement**") of units of the Company (the "**January 2025 Unit**") through the issuance of an aggregate of 856,996 January 2025 Units. Each January 2025 Unit was issued at a price of C$0.56 per January 2025 Unit, generating aggregate gross proceeds of $333 (C$480), with issuance costs of $23 (C$33).
Each January 2025 Unit comprised of (i) one Common Share, and (ii) one Common Share purchase warrant (each, a "**January 2025 Warrant**"). Each January 2025 Warrant entitles the holder to purchase one Common Share at a price of C$0.70 per Common Share for a period of 36 months, subject to acceleration. If the daily volume weighted average trading price of the Common Shares on the TSXV for any period of 20 consecutive trading days equals or exceeds C$1.75, the Company may, upon providing written notice to the holders of the January 2025 Warrants (the "**January 2025 Offering Acceleration Notice**"), accelerate the expiry date of the January 2025 Warrants to the date that is 45 days following the January 2025 Offering Acceleration Notice. In addition, following the date of the issuance of the January 2025 Warrants, if the Company lists the Common Shares on a nationally recognized stock exchange in the United States, the Company may upon providing an acceleration notice (the "**January 2025 Offering U.S. Listing Acceleration Notice**"), accelerate the expiry date of the January 2025 Warrants to the date that is 45 days following the date of the January 2025 Offering U.S. Listing Acceleration Notice. If the January 2025 Warrants are not exercised by the applicable accelerated expiry dates, they will expire and become void.

ii. On April 9, 2025, the Company completed a non-brokered private placement (the "**April 2025 Private Placement**") of units of the Company (each, an "**April 2025 Unit**") through the issuance of an aggregate of 3,543,238 April 2025 Units. Each April 2025 Unit was issued at a price of C$0.65 per Common Share, generating aggregate gross proceeds of $1,600 (C$2,303), with issuance costs of $9 (C$12). Each April 2025 Unit was comprised of (i) one Common Share and (ii) one Common Share purchase warrant (each, an "**April 2025 Warrant**"). Each April 2025 Warrant entitles the holder to purchase one Common Share at a price of C$0.85 per April 2025 Warrant for a period of 36 months.

iii. On August 20, 2025, the Company completed a non-brokered private placement (the "**August 2025 Private Placement**") of units of the Company (each, an "**August 2025 Unit**") through the issuance of an aggregate of 1,258,072 August 2025 Units. Each August 2025 Unit was issued at a price of C$0.62 per Common Share, generating aggregate gross proceeds of $568 (C$780) with issuance costs of $21 (C$33).

NOTE 12:- SHAREHOLDERS' EQUITY (cont.)

b. Composition and movements of Share capital during the period (cont.):

5. Issuance of 6,588,682 Common Shares pursuant to the 2025 private placements (cont.):

Each August 2025 Unit was comprised of (i) one Common Share and (ii) one-half of one Common Share purchase warrant (each, an "**August 2025 Warrant**"). Each August 2025 Warrant entitles the holder to purchase one Common Share at a price of C$0.80 per August 2025 Warrant for a period of 36 months. All securities issued under the August 2025 Private Placement are subject to applicable statutory hold periods, subject to acceleration. If the daily volume weighted average trading price of the Common Shares on the TSXV for any period of 20 consecutive trading days equals or exceeds C$1.70, the Company may, upon providing written notice to the holders of the August 2025 Warrants (the "**August 2025 Offering Acceleration Notice**"), accelerate the expiry date of the August 2025 Warrants to the date that is 45 days following the date of the August 2025 Offering Acceleration Notice.

iv. On September 11, 2025, the Company completed a non-brokered private placement (the "**September 2025 Private Placement**") of units of the Company (each, a "**September 2025 Unit**") through the issuance of an aggregate of 930,376 September 2025 Units. Each September 2025 Unit was issued at a price of C$0.68 per September 2025 Unit generating aggregate gross proceeds of $457 (C$633). Each September 2025 Unit was comprised of (i) one Common Share and (ii) one-half of one Common Share purchase warrant (each, an "**September 2025 Warrant**"). Each September 2025 Warrant entitles the holder to purchase one Common Share at a price of C$0.88 per September 2025 Warrant for a period of 36 months. All securities issued under the September 2025 Private Placement are subject to applicable statutory hold periods, subject to acceleration. If the daily volume weighted average trading price of the Common Shares on the TSXV for any period of 20 consecutive trading days equals or exceeds C$1.70, the Company may, upon providing written notice to the holders of the September 2025 Warrants (the "**September 2025 Offering Acceleration Notice**"), accelerate the expiry date of the September 2025 Warrants to the date that is 45 days following the date of the September 2025 Offering Acceleration Notice.

6. On September 15, 2025, a total of 20,000 Options were exercised at an exercise price of C$0.28, generating gross proceeds of $4 (C$6).

7. Issuance of 10,999,065 Common Shares pursuant to the exercise of Warrants in 2025:

i. On January 8, 2025, the Company issued 65,000 Common Shares upon the exercise of 65,000 warrants issued pursuant to the January 2024 Private Placement Warrants. Each January 2024 Private Placement Warrant was exercised at a price of C$0.35 per Common Share, generating total proceeds of $16 (C$23).

NOTE 12:- SHAREHOLDERS' EQUITY (cont.)

b. Composition and movements of Share capital during the period (cont.):

7. Issuance of 10,999,065 Common Shares pursuant to the exercise of Warrants in 2025 (cont.):

ii. On January 19, 2025, the Company received gross proceeds of $506 (C$728) through the exercise of 2,140,456 class A Common Share purchase warrants (each a "**Class A Warrant**") at a price of C$0.34 per Class A Warrant issued in the first tranche of the non-brokered private placement of the Company which closed on the August 25, 2023 (the "**August 2023 Offering**"). The exercise of the Class A Warrants followed the Company providing the Class A Warrant holders an acceleration notices on December 17, 2024 that the Class A Warrant acceleration trigger was met when the daily volume weighted average trading price of the Common Shares on the TSXV equaled or exceeded C$0.69 for a period of 20 consecutive trading days.

iii. On February 19, 2025, the Company issued 328,625 Common Shares pursuant to the exercise of the January 2024 Private Placement Warrants. The January 2024 Private Placement Warrants were exercised at a price of C$0.35 per Common Share, generating total proceeds of $81 (C$115).

iv. In August 2025, the Company issued 217,884 Common Shares pursuant to two exercises of the January 2024 Private Placement Warrants. The January 2024 Private Placement Warrants were exercised at a price of C$0.35 per Common Share, generating total proceeds of $55 (C$77).

v. On September 17, 2025, the Company issued 25,000 Common Shares pursuant to the exercise of the September 2024 Private Placement Warrants. The September 2024 Private Placement Warrants were exercised at a price of C$0.70 per Common Share, generating total proceeds of $13 (C$18).

vi. On October 3, 2025, the Company issued 53,571 Common Shares pursuant to the exercise of the January 2024 Private Placement Warrants. The January 2024 Private Placement Warrants were exercised at a price of C$0.35 per Common Share, generating total proceeds of $14 (C$19).

vii. On October 8, 2025, the Company announced the acceleration of the expiration date of certain warrants, further to its press releases dated August 28, 2023, September 6, 2023 and January 5, 2024. The acceleration applies to (i) 2,515,456 class B Common Share purchase warrants issued and outstanding from the private placement which closed in tranches on August 25, 2023 and September 6, 2023 (the "**September 2023 Warrants**") and (ii) 5,653,073 Common Share purchase warrants issued and outstanding from the private placement which closed on January 4, 2024 (the "**January 2024 Warrants**"). Each September 2023 Warrant is exercisable at a price of $0.48 per September 2023 Warrant and each January 2024 Warrant is exercisable at a price of $0.35 per January 2024 Warrant.

NOTE 12:- SHAREHOLDERS' EQUITY (cont.)

b. Composition and movements of Share capital during the period (cont.):

7. Issuance of 10,999,065 Common Shares pursuant to the exercise of Warrants in 2025 (cont.):

The acceleration triggers were met after the daily volume weighted average trading price of the Company's Common Shares on the TSXV equaled or exceeded for a period of 20 consecutive trading days, in the case of the September 2023 Warrants, C$0.83, and in the case of the January 2024 Warrants, C$0.80 (the "**Acceleration Event**"). Pursuant to the terms of the warrants and following the occurrence of the Acceleration Event, the Company has provided notice to the warrant holders (the "**Acceleration Notice**"), thereby accelerating the expiry of the warrants. As announced on November 12, 2025, all of the September 2023 Warrants and January 2024 Warrants were exercised prior to expiry, resulting in aggregate gross proceeds of $2,259 (C$3,186). The breakdown of proceeds was (i) $852 (C$1,207) from the exercise of the September 2023 Warrants and (ii) $1,407 (C$1,979) from the exercise of the January 2024 Warrants.

8. On June 3, 2025, the Company issued 2,000,000 Common Shares upon the release of RSUs, following the one-year vesting anniversary, to certain officers and directors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 13:- WARRANTS RESERVE

a. Composition and movements of Warrants during the period:

The following table summarizes the changes in Warrants during the year ended December 31, 2025, along with the associated details:

	Note	Number of Warrants	Weighted -average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
			C$	Years	
Outstanding as of December 31, 2024		14,133,424	0.45	2.01	$ 1,847
Issued	12b5(iv)	465,188	0.88	-	-
Issued	12b5(ii)	3,543,238	0.85	-	-
Issued	12b5(iii)	629,036	0.80	-	-
Issued	12b5(i)	856,996	0.70	-	-
Exercised	12b7(v)	(25,000)	0.70	-	-
Exercised	12b7(vii)	(2,515,456)	0.48	-	-
Exercised	12b7(i)	(65,000)	0.35	-	-
Exercised	12b7(iii)	(328,625)	0.35	-	-
Exercised	12b7(iv)	(217,884)	0.35	-	-
Exercised	12b7(vi)	(53,571)	0.35	-	-
Exercised	12b7(vii)	(5,653,073)	0.35	-	-
Exercised	12b7(ii)	(2,140,456)	0.34	-	-
Outstanding as of December 31, 2025		8,628,817	0.78	2.12	$ -

b. Warrants to purchase Company's shares:

The following table summarizes information about the Company’s outstanding 8,628,817 Warrants as of December 31, 2025.

Exercise price	Note	Warrants outstanding	Expiration date	Acceleration trigger price (1)	Consecutive day
C$				C$	VWAP (2)
0.88	12b5(iv)	465,188	September 11, 2028	1.70	20-day
0.85	12b5(ii)	3,543,238	April 9, 2028	Nil	Nil
0.80	12b5(iii)	629,036	August 20, 2028	1.70	20-day
0.70	12b5(i)	856,996	January 21, 2028	1.75	20-day
0.70	12b1(iii)	231,818	November 1, 2027	1.05	10-day
0.70	12b1(ii)	2,902,541	September 26, 2027	1.05	10-day

Notes:

(1) Company may accelerate expiry upon 30 days’ notice if trigger price is met.

(2) VWAP represents Volume Weighted Average Price.

U.S. dollars in thousands (except share and per share data)

NOTE 14:- SHARE-BASED COMPENSATION

a. Share incentive plan:

1. The Company adopted an omnibus Equity Incentive Plan at the meeting of shareholders held on December 19, 2022, as amended from time to time, including a sub-plan governing the grant of Awards to Participants (as such terms are defined in the Equity Incentive Plan) who reside in Israel.

2. The amended and restated Equity Incentive Plan, adopted on May 12, 2025, provides for a dual structure in accordance with TSXV Policy 4.4, consisting of (i) a rolling 10% stock option limit and (ii) a fixed allotment of up to 7,800,791 shares for all other award types. The plan applies to directors, officers, employees, and consultants, in accordance with its terms, and covers Options, restricted share awards ("**RSAs**"), and restricted share units ("**RSUs**"). The TSXV has accepted the filing, and disinterested shareholders approved the plan at the Meeting.

b. Share-based awards granted during the period:

During the period, the Company granted an aggregate of 1,306,502 Options and 2,875,000 RSUs to officers, employees, and directors, as summarized in the table below.

Each Option entitles the holder to acquire one Common Share at varying exercise prices, with varying vesting conditions and a contractual term of ten years.

Each RSU vests after one year and, upon vesting, is settled in one Common Share.

Below is a summary table of the share-based compensation costs for the awards granted in 2025:

Issuance date	Note	Type of grant award	Options / RSUs Granted	Exercise price	Fair value per Option	Total share-based compensation costs
				C$	C$	
January 29, 2025	14b1	Options	299,802	0.56	0.40	$ 84
April 10, 2025	14b2	Options	110,000	0.68	0.49	39
May 26, 2025	14b3	Options	625,000	0.68	0.48	217
November 27, 2025	14b4	Options	271,700	0.75	0.51	99
Total Options			1,306,502			439
May 26, 2025	14b5	RSUs	300,000	-	0.66	144
June 18, 2025	14b5	RSUs	1,125,000	-	0.69	567
November 27, 2025	14b5	RSUs	1,450,000	-	0.71	733
Total RSUs			2,875,000			1,444
Total Options and RSU			4,181,502			$ 1,883

NOTE 14:- SHARE-BASED COMPENSATION (cont.)

b. Share-based awards granted during the period (cont.):

1. 299,802 Options shall vest as follows:

   i. 35,802 Options shall vest 100% over a period of three (3) months from the Vesting Commencement Date;
   ii. 189,000 Options shall vest 50% over a period of six (6) months from the Vesting Commencement Date;
   iii. 75,000 Options: 50% on the first anniversary of the Vesting Commencement Date, and the remaining 50% in equal installments of 12.5% at the end of each subsequent three (3)-month period through the second anniversary of the Vesting Commencement Date.

2. 110,000 Options shall vest as follows:

   i. 50,000 Options: 25% on the six (6)-month anniversary of the Vesting Commencement Date, and the remaining 75% in equal installments of 12.5% at the end of each subsequent three (3)-month period through the second anniversary of the Vesting Commencement Date,
   ii. 60,000 Options shall vest 50% over a period of six (6) months from the Vesting Commencement Date;

3. 625,000 Options shall vest as follows:

   i. 50,000 Options shall vest 50% over a period of six (6) months from the Vesting Commencement Date;
   ii. 75,000 Options shall vest 25% over a period of twelve (12) months from the Vesting Commencement Date;
   iii. 500,000 Options shall vest 16.67% over a period of eighteen (18) months from the Vesting Commencement Date;

4. 271,700 Options shall vest as follows:

   i. 260,000 Options: 25% upon completion of six (6) months from the Vesting Commencement Date, and the remaining 75% in equal installments of 12.5% each quarter over the subsequent twenty-four (24) months;
   ii. 11,700 Options shall vest 50% over a period of three (3) months from the Vesting Commencement Date;

5. A total of 300,000 RSUs, 1,125,000 RSUs, and 1,450,000 RSUs shall each vest in full on the one-year anniversary of the Vesting Commencement Date.

U.S. dollars in thousands (except share and per share data)

NOTE 14:- SHARE-BASED COMPENSATION (cont.)

c. Fair value measurement of equity-settled share options:

The Company determines the fair value of Options using both the Black-Scholes and Binomial option-pricing models. The Black-Scholes model requires several key assumptions, including expected stock price volatility and the expected term of the Options.

Expected volatility is calculated based on the Company's historical share price and the historical volatility of comparable entities in the relevant sector index, while the expected term is derived from the output of the option valuation model, representing the anticipated period over which the granted Options will remain outstanding.

The risk-free interest rate is based on the yield curve of Government of Canada marketable bonds corresponding to the life of the Options at the grant date.

The Company has historically not paid dividends and has no foreseeable plans to do so.

The Binomial option-pricing model is also used for the fair value measurement of these equity-settled share options, with the table below summarizing the inputs applied for the plans in 2025 and 2024:

	Year ended December 31,	
	2025	**2024**
Risk-free interest rate	3.1% - 3.3%	3.3% - 3.5%
Expected volatility	87% - 89%	86% - 88%
Expected life (years)	3	3
Expected dividend yield	0	0
Fair value per option (C$)	0.40 – 0.51	0.37 – 0.52

U.S. dollars in thousands (except share and per share data)

NOTE 14:- SHARE-BASED COMPENSATION (cont.)

d. Composition and movements during the period:

The following table summarizes the options granted and related information for the two years ended December 31, 2025:

	Note	Number of options	Weighted -average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
			C$	Years	
Balance as of December 31, 2023		6,119,524	0.32	6.71	$ 796
Granted	14d1	2,233,545	0.55	-	-
Exercised	14d2	(100,070)	0.33	-	-
Forfeited	14d3	(428,500)	0.35	-	-
Expired	14d4	(99,930)	0.31	-	-
Balance as of December 31, 2024		7,724,569	0.38	6.10	$ 1,308
Granted	14d5	1,306,502	0.67	-	-
Exercised	14d6	(20,000)	0.28	-	-
Forfeited	14d7	(40,000)	0.66	-	-
Expired	14d8	(42,500)	0.32	-	-
Balance as of December 31, 2025		8,928,571	0.42	8.06	$ 1,591
Exercisable as of December 31, 2025		7,780,964	0.39	7.72	

1. A total of 2,233,545 Options were granted as follows:

   i. June 3, 2024 Grants:

      - 580,000 Options vest at a rate of 25% per quarter over a twelve (12)-month period.
      - 1,235,900 Options vest over a two-year period, with 50% vesting on the first anniversary of the commencement date and the remaining 50% vesting in equal quarterly installments of 12.5% over the subsequent twelve (12) months.

NOTE 14:- SHARE-BASED COMPENSATION (cont.)

d. Composition and movements during the period (cont.):

1. A total of 2,233,545 Options were granted as follows (cont.):

ii. November 26, 2024 Grants:

- 177,645 Options vest over a period of six (6) months.
- 60,000 Options vest over a two-year period, with 50% vesting on the first anniversary of the commencement date and the remaining 50% vesting in equal quarterly installments of 12.5% over the subsequent twelve (12) months.

iii. December 23, 2024 Grants:

- 40,000 Options vest over a period of six (6) months.
- 140,000 Options vest over a two-year period, with 50% vesting on the first anniversary of the commencement date and the remaining 50% vesting in equal quarterly installments of 12.5% over the subsequent twelve (12) months.

2. A total of 100,070 Options were exercised at a weighted average exercise price of C$0.33, as described in Note 12b2 and the following summary:

i. Cashless Exercises:

- On March 18, 2024, 85,000 Options were exercised on a cashless basis, resulting in the issuance of 49,493 Common Shares, with 35,507 Options expired.
- On April 16, 2024, 34,000 Options were exercised on a cashless basis, resulting in the issuance of 15,606 Common Shares, with 18,394 Options expired.
- On July 11, 2024, 34,000 Options were exercised on a cashless basis, resulting in the issuance of 17,971 Common Shares, with 16,029 Options expired.

ii. Cash Exercises:

- On June 13, 2024, 17,000 Options were exercised for cash, generating gross proceeds of $4 (C$6).

3. A total of 428,500 Options were forfeited due to the termination of employment agreements with employees and service agreement with vendors, with no exercise prior to cancellation.

4. A total of 99,930 Options expired, as follows:

- 69,930 Options expired unexercised as a result of cashless exercises, as described in Note 12b2i.
- 30,000 Options expired unexercised due to termination of employment agreements with employees, with no exercise prior to expiration.

U.S. dollars in thousands (except share and per share data)

NOTE 14:- SHARE-BASED COMPENSATION (cont.)

d. Composition and movements during the period (cont.):

5. A total of 1,306,502 Options were granted during the year ended December 31, 2025, with vesting schedules consistent with prior grants, as described in Note 14b.

6. A total of 20,000 Options were exercised at a weighted average exercise price of C$0.28, resulting in the issuance of Common Shares in accordance with the Company's stock option plan, as described in Note 12b6.

7. A total of 40,000 Options were forfeited due to the termination of employment agreements with employees, with no exercise prior to cancellation.

8. A total of 42,500 Options expired unexercised on April 1, 2025, due to the termination of employment agreements with employees, with no exercise prior to expiration.

As of December 31, 2025, the Company had outstanding share-based compensation in the form of Options under its Equity Incentive Plan. The total unrecognized share-based compensation costs related to these Options amounted to $239 (C$331) and are expected to be recognized over a period of up to two years.

The total number of outstanding Options under the plan was 8,928,571.

e. The following table provides a summary of the outstanding and exercisable Options as of December 31, 2025:

Exercise Price	Options outstanding as of December 31, 2025	Weighted-average remaining contractual term for outstanding Options	Options exercisable as of December 31, 2025	Weighted-average remaining contractual term for exercisable Options
C$		Years		Years
0.75	246,700	9.91	3,900	9.91
0.74	237,645	8.78	207,645	8.78
0.70	180,000	8.90	70,000	8.84
0.68	735,000	9.36	326,668	9.36
0.56	299,802	9.05	224,802	9.01
0.51	1,750,900	8.43	1,469,425	8.43
0.33	3,101,395	5.71	3,101,395	5.71
0.32	999,109	7.76	999,109	7.76
0.28	1,378,020	7.36	1,378,020	7.36
Total	8,928,571		7,780,964	

U.S. dollars in thousands (except share and per share data)

NOTE 14:- SHARE-BASED COMPENSATION (cont.)

f. The following table provides a summary of the outstanding and unvested RSUs for the two years ended December 31, 2025:

	Number of RSUs	Weighted-average grant date fair value	Aggregate intrinsic value
		C$	
Unvested balance as of December 31, 2023	1,275,000	0.28	$ 270
Granted [(1)]	2,000,000	0.51	
Vested [(2)]	(1,275,000)	0.28	-
Unvested balance as of December 31, 2024	2,000,000	0.51	709
Granted [(3)]	2,875,000	0.70	-
Vested [(1)]	(2,000,000)	0.51	-
Unvested balance as of December 31, 2025	2,875,000	0.70	$ -

Notes:

(1) A total of 2,000,000 RSUs were granted on June 3, 2024, as described in Note 12b8, and were converted into Common Shares on June 3, 2025.

(2) A total of 1,275,000 RSUs vested and were converted into Common Shares on May 8, 2024, as described in Note 12b4.

(3) A total of 2,875,000 RSUs were granted during the year, as follows: 300,000 on May 26, 2025, 1,125,000 on June 18, 2025, and 1,450,000 on November 27, 2025, as described in Note 12b.

As of December 31, 2025, the Company had outstanding share-based compensation in the form of RSUs under its Equity Incentive Plan. The total unrecognized share-based compensation costs related to these RSUs amounted to $921 (C$1,285) and are expected to be recognized over a period of up to one year.

The total number of outstanding RSUs under the plan was 2,875,000.

U.S. dollars in thousands (except share and per share data)

NOTE 14:- SHARE-BASED COMPENSATION (cont.)

g. As of December 31, 2025, a total of 16,868,925 Common Shares were reserved and 1,670,284 remained available under the Company's Equity Incentive Plan, as follows:

	December 31, 2025
Fixed allotment (1)	7,800,791
Rolling 10% Option limit (1)	9,068,134
Total shares reserved under the Equity Incentive Plan	16,868,925
Outstanding Options	8,928,571
Outstanding RSUs	2,875,000
Issued Common Shares from exercised Options and released RSUs (2)	3,395,070
Remaining available for issuance	1,670,284

Notes:

(1) As at December 31, 2025, a total of 16,868,925 Common Shares are reserved under the Equity Incentive Plan, comprising a fixed allotment of 7,800,791 Common Shares and a rolling 10% stock option limit of 9,068,134 Common Shares, based on 90,681,345 Common Shares outstanding, as described in Note 12a.

(2) A total of 3,395,070 Common Shares were issued as a result of the exercise of 100,070 Options at an exercise price of C$0.33, 20,000 Options at an exercise price of C$0.28, the release of 1,275,000 RSUs at C$0.28, and the release of 2,000,000 RSUs at C$0.51, as described in Notes 12b, 12b4, 12b6, and 12b8.

h. The table below summarizes the total share-based compensation costs for Option and RSU awards recognized for the two years ended December 31, 2025.

	Year ended December 31,	
	2025	2024
Option Awards:		
Research and development expenses	$ 145	$ 83
General and administrative expenses	370	645
RSUs Awards:		
Research and development expenses	77	69
General and administrative expenses	698	138
Total	$ 1,290	$ 935

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 15:- TAXES ON INCOME

a. Tax rates applicable to the Company's income:

1. The Canadian statutory income tax rate applicable to the Company is 26.5% for both 2025 and 2024. This rate comprises the federal income tax rate of 15% and the provincial income tax rate of 11.5%, consistent across both years.

2. The corporate tax rate in Israel is 23%. NurExone Ltd. has not yet received a final tax assessment since its establishment.

3. The corporate income tax rate for Exo-Top in the United States (Nevada) is 21% at the federal level.

b. Net operating losses carry-forwards:

1. As of December 31, 2025, the Company has accumulated losses of $4,199. These losses will expire between 2031 and 2044.

2. As of December 31, 2025, NurExone Ltd. has accumulated losses of $13,535. These losses may be used to offset taxable income in future years.

3. As of December 31, 2025, Exo-Top has accumulated losses of $37. These losses may be used to offset future federal taxable income.

The Company did not recognize deferred tax assets relating to these carry- forward losses in the financial statements because their utilization in the foreseeable future is not probable.

c. Reconciliation of statutory tax rate to effective tax rate:

The income tax provision for the entities differs from the statutory income tax rate due to different tax rates in overseas jurisdictions and limitations on recognizing deferred taxes.

	Year ended December 31,	
	2025	2024
Loss before income tax	$ (6,384)	$ (5,043)
Theoretical tax at applicable statutory tax rate (26.5%)	1,692	1,336
Effect of different tax rates in overseas jurisdictions (3.5%)	(223)	(177)
Deferred tax not recognized due to uncertainty and other	(1,469)	(1,159)
Total income tax expenses	$ -	$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 16:- RESEARCH AND DEVELOPMENT EXPENSES, NET

	Year ended December 31,	
	2025	2024
Salaries and social benefits	$ 1,284	$ 878
Materials	531	547
Subcontractors	419	188
Share-based payments	222	152
Depreciation	122	34
Patents	75	144
Other	-	1
Project funded by IIA	(16)	(76)
Total	$ 2,637	$ 1,868

NOTE 17:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,	
	2025	2024
Professional services	$ 1,437	$ 1,482
Share-based payments	1,068	783
Salaries and social benefits	780	609
Legal fees	215	106
Fees and other expenses	111	88
Insurance expenses	42	43
Depreciation	33	30
Total	$ 3,686	$ 3,141

NOTE 18:- FINANCE EXPENSES

	Year ended December 31,	
	2025	2024
Foreign currency translation adjustments	$ 49	$ 23
Interest expense	24	13
Revaluation of a royalty liability	-	42
Right-of-use asset interest	7	4
Total	$ 80	$ 81

U.S. dollars in thousands (except share and per share data)

NOTE 19:- FINANCE INCOME

	Year ended December 31, 2025	Year ended December 31, 2024
Revaluation of a royalty liability	$ 5	$ -
Interest income from bank deposits	14	47
Total	$ 19	$ 47

NOTE 20:- RELATED PARTY TRANSACTIONS

a. Transactions with TRDF:

TRDF is also a key vendor and shareholder, holding 3,927,000 Common Shares, representing 4% of the Company's issued and outstanding share capital on a fully diluted basis, including Common Shares and Warrants, as of December 31, 2025 (2024 - 4.6%).

The following transactions were conducted with TRDF:

1. Royalty payments:

The Company is obligated to pay royalties to TRDF in accordance with the License Agreement described in Note 11a.

2. Lease of Laboratory and Office Facility:

On March 1, 2024, the Company entered into a lease agreement with TRDF for laboratory and office facility, described in Note 11b.

3. Ad hoc research services:

The Company engages TRDF to provide ad hoc research services from time to time in the normal course of business.

For the years ended December 31, 2025, and 2024, the Company recorded ad hoc research expenses of $120 and $94, respectively.

U.S. dollars in thousands (except share and per share data)

NOTE 20:- RELATED PARTY TRANSACTIONS (cont.)

b. Transactions with key management personnel:

Key management personnel consist of the Company's directors and executive officers.

1. Expenses and Transactions:

The Company recognized compensation expenses to key management personnel for the years ended December 31, 2025 and 2024, as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
Short-term benefits	$ 742	$ 670
Share-based payment	662	587
Total	$ 1,404	$ 1,257

2. Payable Balances:

The balance of other payables to key management personnel and directors as of December 31, 2025 and 2024, are as follows:

	December 31, 2025	December 31, 2024
Other payables (1)	$ 238	$ 64

Notes:

(1) Includes provisions for 2024 performance-based bonuses, as well as 2025 merit-based salary increases and director fees, amounting to $85 and $81, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 21:- FINANCIAL RISK FACTORS

The Company and its subsidiaries are exposed to various financial risks arising from the use of financial instruments. The potential effects of these risks on the Company's financial position and performance are described below:

a. Credit Risk:

Financial instruments that potentially expose the Company and its subsidiaries to significant concentrations of credit risk consist principally of cash and cash equivalents. The Company's cash balance was held at major Canadian and Israeli institutions. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

b. Liquidity Risk:

These balances are also held at major financial institutions in Canada, and Israel. The Company and its subsidiaries implement measures to reduce potential losses, including limiting deposits to highly rated institutions and reviewing counterparties' credit quality.

Liquidity risk arises from the management of working capital and the ability to meet financial obligations as they come due without incurring unacceptable losses. This risk is influenced by the timing of cash inflows and outflows, the availability of liquid assets, and access to financing sources.

The Board of Directors of the Company and its subsidiaries receive rolling 12-month cash flow projections quarterly to monitor and manage liquidity effectively. This allows proactive decision-making to maintain sufficient resources for both short-term and long-term obligations.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities as of December 31, 2025:

Financial Liabilities	**Up to 1 Year**	**1 to 2 Years**	**2 to 3 Years**	**Over 3 Years**	**Total**
Other payables	$ 348	$ -	$ -	$ -	$ 348
Financial liability associated with private placement	235	-	-	-	235
Employees and payroll accruals	406	-	-	-	406
Long-term royalty payments	-	26	26	578	630
Lease liability	38	50	44	-	132
Liability to IIA	-	-	-	297	297
Total	$ 1,027	$ 76	$ 70	$ 875	$ 2,048

U.S. dollars in thousands (except share and per share data)

NOTE 21:- FINANCIAL RISK FACTORS (cont.)

b. Liquidity Risk (cont.):

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities as of December 31, 2024:

Financial Liabilities	Up to 1 Year	1 to 2 Years	2 to 3 Years	Over 3 Years	Total
Other payables	$ 232	$ -	$ -	$ -	$ 232
Employees and payroll accruals	166	-	-	-	166
Long-term royalty payments	-	44	50	600	694
Lease liability	2	1	11	30	44
Liability to IIA	-	-	-	271	271
Total	$ 400	$ 45	$ 61	$ 901	$ 1,407

c. Capital Management:

The Company considers its capital to be comprised of shareholders' equity.

The Company's objectives in managing its capital are to maintain its ability to continue as a going concern and to further develop its business.

d. Foreign Currency Risk:

Foreign exchange risk arises when the Company and its subsidiaries engage in transactions denominated in currencies other than their functional currency.

The functional currencies of the Company and its subsidiaries, NurExone Ltd. and Exo-Top, are CAD, NIS, and USD, respectively.

No forward currency contracts are currently used to hedge foreign exchange exposure.
The Company and its subsidiaries are therefore exposed to gains and losses from fluctuations in exchange rates.

As of December 31, 2025, a 5% increase/decrease in NIS, USD, against CAD would result in a decrease/increase in net loss of approximately $18, and $1, respectively (2024 - $1, and $1,).

e. Fair Value:

The carrying amounts of other receivables and payables approximate their fair values due to their short-term nature. Cash is measured at fair value using quoted market prices in active markets.

NOTE 22:- SUBSEQUENT EVENTS

a. On January 30, 2026, the Company announced changes to its Board of Directors, including the appointment of Mr. Eyal Gabbai and the resignation of Dr. Gadi Riesenfeld. Dr. Riesenfeld will continue to support the Company as a member of the Scientific Advisory Board.

b. On January 30, 2026, the Board granted an aggregate of 219,200 Options (the "**January 2026 Options**") to certain directors, employees and service providers. Each January 2026 Options is exercisable for one Common Share at a price of C$0.69 per Common Share. The vesting schedule for the January 2026 Options is as follows:

(i) 204,200 January 2026 Options will vest over twenty-four months,
(ii) 5,000 January 2026 Options will vest over six months, and
(iii) 10,000 January 2026 Options will vest over one month.

The January 2026 Options have an exercise period of ten years from the vesting commencement date. The fair value of each January 2026 Option as of the grant date was C$0.50, determined by using the Black-Scholes option pricing model, based on a vesting period of up to two years. The total share-based compensation expenses recognized in relation to the January 2026 Options was $80 (C$109).

All January 2026 Options issued are subject to a four-month and one-day hold period pursuant to TSXV policies and applicable securities laws.

c. On January 31, 2026, a total of 22,500 Options were forfeited following the termination of the employment agreement with an employee.

d. On February 5, 2026, following Board approval on January 30, 2026, the Company issued 69,281 Common Shares upon the net cashless exercise of options at an exercise price of C$0.32 per share to a certain director. The remaining 59,919 options expired unexercised.

On the same date, a total of 25,000 RSUs were forfeited following the termination of the director's service.

e. On March 10, 2026, the Company completed a non-brokered private placement (the "**March 2026 Private Placement**") of units of the Company (each, a "**March 2026 Unit**") through the issuance of an aggregate of 1,295,222 March 2026 Units. Each March 2026 Unit was issued at a price of C$0.68 per March 2026 Unit generating aggregate gross proceeds of $642 (C$881). Each March 2026 Unit was comprised of (i) one Common Share and (ii) one Common Share purchase warrant (each, a "**March 2026 Warrant**"). Each March 2026 Warrant entitles the holder thereof to purchase one Common Share at price of C$0.85 per Common Share for a period of 36 months from the closing date, subject to acceleration. If the daily volume weighted average trading price of the Common Shares on the TSXV for any period of 20 consecutive trading days equals or exceeds C$1.70, the Company may, upon providing written notice to the holders of the Warrants (the "**March 2026 Offering Acceleration Notice**"), accelerate the expiry date of the Warrants to the date that is 30 days following the date of the March 2026 Offering Acceleration Notice.

NOTE 22:- SUBSEQUENT EVENTS (cont.)

If the Warrants are not exercised by the accelerated expiry date, the Warrants will expire and be of no further force or effect. All securities issued under the March 2026 Private Placement were issued subject to applicable statutory hold periods.

f. On March 31, 2026, a total of 105,000 Options expired unexercised due to the termination of the employment agreement with an employee and the service agreement with a service provider, with no exercise prior to expiration.

g. On April 1, 2026, the Company announced the engagement of Investor Brand Network ("**IBN**"), subject to TSXV approval, to support a new investor awareness strategy. As of the date hereof, the engagement with IBN is no longer proceeding.

h. On April 7, 2026, the Company announced that Exo-Top entered into a non-binding letter of intent (the "**BioXtek LOI**") with Florida-based BioXtek Inc. ("**BioXtek**") to explore a strategic partnership for exosome manufacturing and commercialization. The BioXtek LOI establishes a framework to negotiate a partnership supporting U.S. GMP manufacturing, clinical supply, and potential commercialization of bone marrow-derived mesenchymal stem cell ("**MSC**") exosomes. The BioXtek LOI is non-binding and is intended to provide a framework for further discussions. The agreement is subject to customary conditions, including the satisfactory completion of due diligence, negotiation and execution of a definitive agreement, receipt of required corporate approvals, and receipt of all required regulatory approvals, including acceptance by the TSXV.

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