



NUREXONE BIOLOGIC INC.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF JUNE 30, 2025
UNAUDITED

NUREXONE BIOLOGIC INC.

NOTICE OF NO AUDITOR REVIEW

The accompanying financial statements of NurExone Biologic Inc. (the “**Company**” or “**NurExone**”) are the responsibility of management and have been approved by the Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards as disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions that were not complete at the Statement of Financial Position date.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

August 27, 2025.

NUREXONE BIOLOGIC INC.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	June 30, 2025	December 31, 2024
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,228	\$ 700
Restricted deposit	41	41
Other receivables	84	293
Prepaid expenses associated with materials	600	600
Total current assets	1,953	1,634
NON-CURRENT ASSETS:		
Property, plant and equipment, net	778	759
Right-of-use assets	133	48
Total non-current assets	911	807
Total assets	\$ 2,864	\$ 2,441

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	June 30, 2025	December 31, 2024
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Other payables	\$ 678	\$ 232
Employees and payroll accruals	329	166
Total current liabilities	1,007	398
NON-CURRENT LIABILITIES:		
Liability associated with royalty payments	36	78
Lease liability	91	31
Liability due to Israel Innovation Authority (“IIA”) grants	198	173
Total non-current liabilities	325	282
CONTINGENT LIABILITIES AND COMMITMENTS		
SHAREHOLDERS' EQUITY:		
Share capital	*	*
Additional paid-in capital and other reserves	22,753	19,466
Foreign currency translation reserve	(46)	(202)
Share-based payment reserve	1,449	1,597
Accumulated deficit	(22,624)	(19,100)
Total shareholders' equity	1,532	1,761
Total liabilities and shareholders' equity	\$ 2,864	\$ 2,441

* Represents an amount less than \$0.5.

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

<i>“Yoram Drucker”</i>	<i>“Dr. Lior Shaltiel”</i>	August 27, 2025
Yoram Drucker Chairman	Dr. Lior Shaltiel Director and CEO	Date of approval of the Financial statements

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	Six-month period ended June 30,		Three-month period ended June 30,	
	2025	2024	2025	2024
Operating expenses:				
Research and development expenses, net	\$ 1,315	\$ 733	\$ 697	\$ 508
General and administrative expenses	2,207	1,507	1,125	812
Operating loss	3,522	2,240	1,822	1,320
Financial expenses	38	28	33	21
Financial income	(36)	(21)	(9)	(16)
Net loss	3,524	2,247	1,846	1,325
Other comprehensive (gain) loss:				
Items that will be reclassified subsequently to profit or loss:				
Exchange (gain) loss arising on translation of foreign operations	(26)	26	(85)	42
Items that will not be reclassified subsequently to profit or loss:				
Loss (gain) from foreign currency translation adjustments	(130)	70	(87)	9
Total comprehensive loss	\$ 3,368	\$ 2,343	\$ 1,674	\$ 1,376
Net loss per share:				
Basic net loss per share	\$ 0.046	\$ 0.037	\$ 0.024	\$ 0.022
Weighted average number of common shares:				
Basic and diluted	76,033,223	61,488,044	76,033,223	61,488,044

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

UNAUDITED CONDENSED INTERIM 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, 2025	71,073,598	\$ -	\$ 19,466	\$ 1,597	\$ (202)	\$ (19,100)	\$ 1,761
Net loss	-	-	-	-	-	(3,524)	(3,524)
Other comprehensive loss	-	-	-	-	156	-	156
Total comprehensive loss	-	-	-	-	156	(3,524)	(3,368)
Expiry of unexercised Options	-	-	34	(34)	-	-	-
Share-based compensation	-	-	-	635	-	-	635
Release of restricted share units	2,000,000	-	749	(749)	-	-	-
Exercise of warrants	2,534,081	-	603	-	-	-	603
Issuance of common shares in private placement, net of issuance expenses of \$32	4,400,234	-	1,901	-	-	-	1,901
Balance as of June 30, 2025	80,007,913	\$ -	\$ 22,753	\$ 1,449	\$ (46)	\$ (22,624)	\$ 1,532
	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	-	-	-	-	-	(2,247)	(2,247)
Other comprehensive loss	-	-	-	-	(96)	-	(96)
Total comprehensive loss	-	-	-	-	(45)	(922)	(967)
Expiry of unexercised Options	-	-	7	(7)	-	-	-
Share-based compensation	-	-	-	324	-	-	324
Release of restricted share units	1,275,000	-	302	(302)	-	-	-
Exercise of Options, net cashless	65,099	-	8	(8)	-	-	-
Exercise of Options	17,000	-	8	(4)	-	-	4
Exercise of warrants	10,463,629	-	2,930	-	-	-	2,930
Issuance of common shares in private placements, net of issuance expenses of \$16	7,091,993	-	1,471	-	-	-	1,471
Balance as of June 30, 2024	67,162,428	\$ -	\$ 18,025	\$ 995	\$ (141)	\$ (16,304)	\$ 2,575

* Represents an amount less than \$0.5.

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six-month period ended June 30,	
	2025	2024
<u>Cash flows from operating activities:</u>		
Net loss	\$ (3,524)	\$ (2,247)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Depreciation of property, equipment and right-of-use assets	85	28
Share-based compensation	635	324
Interest expenses	15	-
Revaluation of royalty payments liability	(24)	20
	<u>711</u>	<u>372</u>
Changes in operating assets and liabilities:		
Increase (decrease) in employees and payroll accruals	158	(116)
Decrease (increase) in other receivables	218	(188)
Decrease in advance income from IIA grants	-	(50)
Increase (decrease) in other payables	384	(106)
	<u>760</u>	<u>(460)</u>
Net cash used in operating activities	<u>(2,053)</u>	<u>(2,335)</u>
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	(34)	(302)
Restricted deposit	-	(10)
Net cash used in investing activities	<u>(34)</u>	<u>(312)</u>

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six-month period ended June 30,	
	2025	2024
<u>Cash flows from financing activities:</u>		
Proceeds from issuance of private placements, net	1,901	1,487
Proceeds from exercise of warrants	603	2,930
Proceeds from exercise of options	-	4
Receipt of grants from the IIA	-	36
Payment of lease liabilities	(4)	(15)
Net cash provided by financing activities	2,500	4,442
Exchange differences on balances of cash and cash equivalents	115	49
Increase in cash and cash equivalents	528	1,844
Cash and cash equivalents at beginning of the period	700	541
Cash and cash equivalents at end of the period	<u>\$ 1,228</u>	<u>\$ 2,385</u>
<u>Significant non-cash transactions:</u>		
Issuance expenses	<u>\$ 32</u>	<u>\$ 16</u>
Right-of-use asset and lease liability	<u>\$ 91</u>	<u>\$ 52</u>

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

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1:- GENERAL

- a. NurExone Biologic Inc. (formerly EnerSpar Corp.) is a publicly traded company with a 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
- 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.**”). In connection with the RTO, the Company also completed a 10:1 consolidation.
- c. 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) (the “**Continuance**”).
- d. The Company is listed on the following stock exchanges:
 - Under the symbol - Traded on the TSX Venture Exchange (the “**TSXV**”).
“NRX”
 - Under the symbol - Traded on the Frankfurt Stock Exchange, German Composite,
“J90” Stuttgart Stock Exchange, Munich Stock Exchange, Berlin Stock
Exchange, Hamburg Stock Exchange, and Dusseldorf Stock
Exchange.
 - Under the symbol - Quoted on the Over-the-Counter Qualified Board Venture Market.
“NRXBF”
- e. The Company is developing a platform for biologically guided exosome-based therapies to be delivered, minimally invasive, to patients who suffer from central nervous system (“CNS”) injuries. 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.
- f. Going concern:

The Company is devoting substantially all of its efforts toward research and development activities. In conducting research and development, the Company has sustained operating losses in each year since its inception, including net losses of \$3,524 and \$2,247 for the six-month period ended June 30, 2025, and 2024, respectively. Such losses are expected to continue for the foreseeable future. As of June 30, 2025, the Company had an accumulated deficit of \$22,624, compared to \$19,100 as of December 31, 2024. Management believes that the Company may not have sufficient funds to cover planned operations throughout the next twelve months. The Company may secure additional financing through the issuance of new equity and/or debt; however, there is no assurance that these initiatives will be successful. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. The unaudited condensed interim 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.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1:- GENERAL (Cont.)

- g. Since October 7, 2023, Israel has been in conflict with Hamas, and as of June 13, 2025, also in direct military confrontation with Iran (the “**Israeli War**”). Despite the heightened security risks and regional instability, the Company’s operations in Haifa have continued without material disruption. As of the date of this report, the Israeli War has not had a material effect on the Company’s operations.
- h. Unless otherwise indicated, all amounts are presented in thousands of U.S. dollars (“**US\$**”). References to “**C\$**” denote Canadian dollars, and “**NIS**” refers to New Israeli Shekels.

NOTE 2:- MATERIAL ACCOUNTING POLICIES

- a. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2024 annual report.
- b. The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company’s audited consolidated financial statements for the years ended December 31, 2024.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- a. On January 8, 2025, the Company issued 65,000 common shares in the capital of the Company (“**Common Shares**”) following the exercise of 65,000 warrants issued pursuant to a non-brokered private placement in January 2024 (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). All Common Shares issued are subject to a four-month and one-day hold period pursuant to TSXV policies and applicable securities laws.
- b. 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 notice 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. The effect of such exercises, along with the prior exercise of 181,818 Class A Warrant back in March 2024, resulted in all Class A Warrants issued in August 2023 Offering being exercised. All Common Shares issued are subject to a four-month and one-day hold period pursuant to TSXV policies and applicable securities laws.
- c. On January 21, 2025, the Company completed a non-brokered private placement (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).

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

Each January 2025 Unit was 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 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 “**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 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. All securities issued under the January 2025 Private Placement are subject to a four-month and one-day hold period pursuant to TSXV policies and applicable securities laws.

- d. On January 29, 2025, following the approval by the Board, the Company granted incentive awards under the Company’s equity incentive plan (the “**Equity Incentive Plan**”) to certain employees and service providers. A total of 299,802 stock options (“**Options**”) were granted, each exercisable for one Common Share at a price of C\$0.56 per share (the “**January 2025 Options**”).

For further details regarding the grant, see Note 4(c)(1).

- e. On February 4, 2025, the Company incorporated Exo-Top Inc. (“**Exo-Top**”), its wholly owned subsidiary, under the laws of Nevada to advance its Good Manufacturing Practice (“**GMP**”) fully characterized exosome production. Incorporating Exo-Top offers key advantages, including closer proximity to strategic partners, access to a robust biopharma ecosystem, and greater market opportunities. The establishment of Exo-Top and the acquisition of the master cell bank gives the Company enhanced control over its exosome production process by securing the cell source of its exosomes. This acquisition enables the Company to potentially sell high-quality exosomes to pharmaceutical companies, biotech firms, and researchers globally. Exo-Top will operate independently, without external licensing or royalty obligations, ensuring cost efficiency and strategic flexibility as the Company advances its development pipeline.
- f. 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). All Common Shares issued are subject to a four-month and one-day hold period pursuant to TSXV policies and applicable securities laws.
- g. On April 2, 2025, the United States introduced wide-ranging changes to its tariff policies. As of the second quarter of 2025, Exo-Top Inc., the Company’s wholly owned U.S. subsidiary, is continuing to assess the potential impact of these changes on its operations in the United States. Management will closely monitor the implementation of the new tariff policies and evaluate any potential effects on Exo-Top’s business, supply chain, and financial results.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

- h. 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 April 2025 Unit, 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. All securities issued under the April 2025 Private Placement are subject to applicable statutory hold periods.
- i. On April 9, 2025, the Board approved, following recommendations from the Compensation Committee on March 12, 2025, changes to director and officer compensation, including:
 - (i) Merit-based salary increases for certain officers ranging from 6% to 10%, respectively, and a 58% scope-of-work-based salary increase to an officer, effective January 1, 2025.
 - (ii) A framework for future bonus payments with a minimum of \$25 and a maximum of \$65 per instance, associated with 2024 performance and certain future performance-based milestones, payable upon the achievement of specified corporate milestones.
 - (iii) Merit-based increases in director fees, including an annual base payments increase of 20% and compensation for specific activities increasing in the range of 50% to 60% per specific activity, effective April 9, 2025.

The implementation and payment of all approved updates are subject to the successful completion of a minimum private placement or aggregate private placements by the Company of \$3 million. See Note 5 (a)(1).

- j. On April 9, 2025, following the approval by the Board, the Company granted incentive awards under the Company’s Equity Incentive Plan to certain employees and service providers. A total of 110,000 Options (the “**April 2025 Options**”) were granted, each exercisable for one Common Share at a price of \$0.68 per share.

On the same date, the Company also approved a future grant of an aggregate of 1,125,000 restricted share units (“**RSUs**”) to certain directors and officers of the Company, to be issued at the later of: (i) June 18, 2025 and (ii) the date of the next annual general and special meeting of shareholders of the Company (the “**Annual Meeting**”). See Note 3(o).

For further details regarding both grants, see Note 4(c)(1).

- k. On April 22, 2025, the Company appointed Jacob Licht as Chief Executive Officer of Exo-Top and as Vice President of Corporate Development at NurExone. See Note 3(e).
- l. On April 27, 2025, the Company entered into a third amendment to the license agreement between TRDF and Ramot, Tel Aviv University’s technology transfer company, pursuant to which the royalty section was amended such that the Company is required to make a fixed annual royalty payment of \$26, with the amount increasing by 30% annually, once Phase II of the clinical trial begins. Prior to this amendment, the royalty would have increased by 30% annually starting from the third anniversary of the agreement’s effective date in June 2020. The maximum annual royalty remains capped at \$50. See Note 5(b).

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

- m. On May 26, 2025, following the approval by the Board, the Company granted incentive awards under the Company's Equity Incentive Plan to certain service providers. A total of 625,000 Options (the "**May 2025 Options**") were granted, each exercisable for one Common Share at a price of C\$0.68 per share.

On the same date, the Company also granted 300,000 RSUs (the "**May 2025 RSUs**") to a certain service provider.

For further details regarding both grants, see Note 4(c)(1).

- n. On June 3, 2025, the Company issued 2,000,000 Common Shares upon the release of RSUs, following a one-year period vesting anniversary, to certain officers and directors. All Common Shares issued are subject to a four-month and one-day hold period pursuant to TSXV policies and applicable securities laws.

- o. On June 18, 2025, at the Annual Meeting, the shareholders approved, among other matters, the following:

1. The approval of the amended and restated Equity Incentive Plan, adopted on May 12, 2025, which includes a dual structure under TSXV Policy 4.4: a rolling 10% stock option limit and a fixed allotment of up to 7,800,791 shares for other awards. The plan applies to directors, officers, employees, and consultants. The TSXV accepted the filing, and disinterested shareholders approved the plan at the Meeting.
2. The approval of a continuance of the Company from the Province of Alberta to the Province of Ontario and the amendment of the Articles of Incorporation, including the removal of restrictions on the transfer of shares and the authority to fix the number of directors.

- p. On June 18, 2025, the Company granted an aggregate of 1,125,000 RSUs (the "**June 2025 RSUs**") following the Annual Meeting, and approval by the Board on April 9, 2025, to certain officers and directors. See Note 3(i).

For further details regarding the grant, see Note 4(c)(1).

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY

a. Share capital:

1. The following table summarizes the authorized, issued and outstanding share capital as of June 30, 2025, and December 31, 2024:

	Authorized as of		Issued and outstanding as of	
	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Consolidated Common Shares without a nominal par value	<u>Unlimited</u>	<u>Unlimited</u>	<u>80,007,913</u>	<u>71,073,598</u>

2. The following table summarizes the changes in the issued and outstanding Common Shares at the beginning and end of each respective period:

	Number of Common Shares
Outstanding as of December 31, 2024	<u>71,073,598</u>
Issuance of Common Shares from a private placement ⁽¹⁾	856,996
Issuance of Common Shares from an exercise of warrants ⁽²⁾	<u>2,534,081</u>
Outstanding as of March 31, 2025	<u>74,464,675</u>
Issuance of Common Shares from a private placement ⁽³⁾	3,543,238
Issuance of Common Shares from release of RSUs ⁽⁴⁾	<u>2,000,000</u>
Outstanding as of June 30, 2025	<u>80,007,913</u>

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY (Cont.)

a. Share capital (Cont.):

- (1) On January 21, 2025, the Company issued 856,996 Common Shares pursuant to the January 2025 Offering. See Note 3(c).
- (2) Issuance of 2,534,081 Common Shares from the exercise of warrants:
 - i. On January 8, 2025, the Company issued 65,000 Common Shares pursuant to the exercise of the January 2024 Private Placement Warrants. See Note 3(a).
 - ii. On January 19, 2025, the Company issued 2,140,456 Common Shares pursuant to the exercise of the August 2023 Private Placement Warrants. See Note 3(b).
 - iii. On February 19, 2025, the Company issued 328,625 Common Shares pursuant to the exercise of the January 2024 Private Placement Warrants. See Note 3(f).
- (3) See Note 3(h).
- (4) Issuance of 2,000,000 Common Shares from the release of RSUs:

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

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY (Cont.)

b. Warrants:

The following table summarizes the changes in outstanding warrants at the beginning and end of the respective periods:

	Six-month period ended June 30,				Year ended December 31,	
	2025		2024		2024	
	Number of Warrants	Weighted average exercise price (CAD\$)	Number of Warrants	Weighted average exercise price (CAD\$)	Number of Warrants	Weighted average exercise price (CAD\$)
Outstanding at the beginning of the period	14,133,424	0.45	18,076,888	0.39	18,076,888	0.39
Issued	⁽¹⁾ 3,543,238	0.85	-	-	-	-
Issued	⁽²⁾ 856,996	0.70	-	-	3,159,359	0.70
Issued	-	-	7,091,993	0.35	7,091,993	0.35
Exercised	-	-	(181,818)	0.48	(181,818)	0.48
Exercised	-	-	(9,684,993)	0.38	(9,684,993)	0.38
Exercised	⁽³⁾ (393,625)	0.35	(40,000)	0.35	(773,840)	0.35
Exercised	⁽⁴⁾ (2,140,456)	0.34	(556,818)	0.34	(556,818)	0.34
Expired	-	-	(2,997,347)	0.38	(2,997,347)	0.38
Outstanding at the end of the period	15,999,577	0.57	11,707,905	0.38	14,133,424	0.45

(1) See Note 3(h).

(2) See Note 3(c).

(3) Issuance of 393,625 Common Shares from the exercise of warrants:

i. On January 8, 2025, the Company issued 65,000 Common Shares from the exercise of January 2024 Private Placement Warrants. These January 2024 Private Placement Warrants generated gross proceeds of \$16 (C\$23). See Note 3(a).

ii. On February 19, 2025, the Company issued 328,625 Common Shares from the exercise of January 2024 Private Placement Warrants. The January 2024 Private Placement Warrants generated gross proceeds of \$81 (C\$115). See Note 3(f).

(4) See Note 3(b).

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY (Cont.)

c. Share incentive plan:

1. The following table summarizes the grants of Options and RSUs during the six-month period ended June 30, 2025:

Award Type	Quantity Granted	Exercise price (CAD\$)	Vesting Schedule, Expiry ⁽¹⁾ and Holding Period ⁽²⁾	Fair Value
January 2025 Options See Note 3(d)	299,802	0.56	(i) 35,802 options vest over three months (ii) 189,000 options vest over six months (iii) 75,000 options vest over two years	C\$0.40 per Option Total: \$84 (C\$121)
April 2025 Options See Note 3(j)	110,000	0.68	(i) 50,000 options: 25% vest after six months, then 12.5% vest each quarter over the following 24 months (ii) 60,000 options: 50% vest each quarter over six months (iii) Future grant of 1,125,000 RSUs: To be issued at the later of June 18, 2025, or the next AGM	C\$0.49 per Option Total: \$39 (C\$54)
May 2025 Options See Note 3(m)	625,000	0.68	(i) 50,000 options vest over six months (ii) 75,000 options vest over 12 months (iii) 500,000 options vest over 18 months	C\$0.48 per Option Total: \$217 (C\$298)
Total Options	<u>1,034,802</u>			
May 2025 RSUs See Note 3(m)	300,000	0.66	RSUs vest on the 1-year anniversary from the grant date	C\$0.66 ⁽³⁾ per RSU Total \$144 (C\$198)
June 2025 RSUs See Note 3(j)	1,125,000	0.69	Following April 2025 approved grant: RSUs vest on the 1-year anniversary from the grant date	C\$0.69 ⁽³⁾ per RSU Total \$567 (C\$776)
Total RSUs	<u>1,425,000</u>			

- (1) Options have an exercise period of ten years starting from the vesting commencement date.
- (2) Options granted are subject to a hold period of four months and one day, in accordance with TSXV policies and applicable securities laws.
- (3) The fair value of RSUs is based on the market price of the Company's Common Shares on the grant date.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY (Cont.)

c. Share incentive plan (Cont.):

2. The following table summarizes the changes in outstanding Options at the beginning and end of the respective periods:

	Six-month period ended June 30,				Year ended December 31,	
	2025		2024		2024	
	Number of Options	Weighted average exercise price (CAD\$)	Number of Options	Weighted average exercise price (CAD\$)	Number of Options	Weighted average exercise price (CAD\$)
Outstanding at the beginning of the period	7,724,569	0.38	6,119,524	0.32	6,119,524	0.32
Granted	⁽¹⁾ 1,034,802	0.56	1,815,900	0.51	2,233,545	0.55
Exercised	-	-	(82,099)	0.33	(100,070)	0.33
Forfeited	-	-	(336,000)	0.33	(428,500)	0.35
Expired	⁽²⁾ (42,500)	0.32	(53,901)	0.33	(99,930)	0.31
Outstanding at the end of the period	8,716,871	0.41	7,463,424	0.36	7,724,569	0.38
Exercisable at the end of the period	7,038,771	0.37	4,854,619	0.32	5,752,621	0.33

(1) See Note 4(c)(1).

(2) A total of 42,500 Options expired unexercised on April 1, 2025.

Total unrecognized share-based compensation costs as of June 30, 2025, amounted to \$440, which are expected to be recognized over a period of up to two years.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY (Cont.)

c. Share incentive plan (Cont.):

3. The following table provides a summary of the outstanding and unvested RSUs at the beginning and end of the respective periods:

	Six-month period ended June 30,				Year ended December 31,	
	2025		2024		2024	
	Number of RSUs	Weighted average grant date fair value (CAD\$)	Number of RSUs	Weighted average grant date fair value (CAD\$)	Number of RSUs	Weighted average grant date fair value (CAD\$)
Unvested balance at the beginning of the period	2,000,000	0.51	1,275,000	0.28	1,275,000	0.28
Granted	⁽¹⁾ 1,425,000	0.69	2,000,000	0.51	2,000,000	0.51
Vested	⁽²⁾ (2,000,000)	0.51	(1,275,000)	0.28	(1,275,000)	0.28
Unvested balance at the end of the period	1,425,000	0.69	2,000,000	0.51	2,000,000	0.51

(1) See Note 4(c)(1).

(2) See Note 3(n).

A total of \$548 in unrecognized share-based compensation costs that are expected to be recognized over a period of up to one year.

4. As of June 30, 2025, a total of 15,801,583 Common Shares were reserved under the Company's Equity Incentive Plan, see Note 3(o)(1). Of this amount, 2,284,642 Common Shares remained available for future issuance, as set out below:

	June 30, 2025
Total shares reserved under the Company's Equity Incentive Plan	15,801,583
Outstanding Options	8,716,871
Outstanding RSUs	1,425,000
Exercised Options and vested RSUs held in trust as Shares	3,341,493
Shares sold from the trust	33,577
Remaining available for issuance	2,284,642

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 5:- RELATED PARTY TRANSACTIONS

a. Benefits to key executive personnel:

1. The compensation of key management personnel and directors' fees were comprised of the following:

	Six-month period ended June 30,		Three-month period ended June 30,		Year ended December 31,
	2025	2024	2025	2024	2024
Short-term benefits ⁽¹⁾	\$ 387	\$ 399	\$ 254	\$ 262	\$ 670
Share-based payment	346	202	155	122	587
	<u>\$ 733</u>	<u>\$ 601</u>	<u>\$ 409</u>	<u>\$ 384</u>	<u>\$ 1,257</u>

- (1) Short-term benefits include accruals for 2024 performance-based bonuses, as well as merit-based salary increases and directors' fees, totaling to \$85 and \$33, respectively.

2. The balance of other payables to key management personnel and directors amounted to \$174 as of June 30, 2025, compared to \$64 as of December 31, 2024.

b. Related party:

1. Technion Research and Development Foundation Ltd. (“**TRDF**”) serves as the licensor of the Company’s core technology used for product development. The Company has engaged in services provided by TRDF and maintains financial balances with TRDF, a key vendor and principal shareholder holding 3,927,000 Common Shares, representing 4.1% (December 31, 2024 - 4.6%) on a fully diluted basis, including Common Shares and warrants, as of June 30, 2025.
2. As of June 30, 2025, other payables to TRDF totaled \$86, compared to \$14 as of December 31, 2024. The royalty payment balance to TRDF was \$36 as of June 30, 2025 (December 31, 2024 - \$78).
3. The Company recognized expenses and conducted transactions with TRDF totaling \$21 as of June 30, 2025, compared to \$121 as of December 31, 2024.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 6:- SUBSEQUENT EVENTS

- a. On August 19, 2025, the Company issued 164,313 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 \$42 (C\$58).
- b. On August 20, 2025, the Company completed a non-brokered private placement (the “**August 2025 Private Placement**”) of units of the Company (each, a “**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 August 2025 Unit generating aggregate gross proceeds of \$567 (C\$780). 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 “**Acceleration Notice**”), accelerate the expiry date of the August 2025 Warrants to the date that is 45 days following the date of the Acceleration Notice. If the August 2025 Warrants are not exercised by the accelerated expiry date, the August 2025 Warrants will expire and be of no further force or effect.
