

NUREXONE BIOLOGIC INC.

NOTICE OF NO AUDITOR REVIEW UNAUDITED OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements of NurExone Biologic Inc. (the "Company") 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, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

May 23, 2023.

NUREXONE BIOLOGIC INC.
(FORMERLY ENERSPAR CORP.)
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF MARCH 31, 2023

UNAUDITED

NUREXONE BIOLOGIC INC.

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NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION
(U.S. Dollars in thousands)

| | March 31, 2023 | December 31, 2022 |
|--|---------------------------|------------------------------|
| | <hr/> | <hr/> |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 1,588 | \$ 2,463 |
| Restricted deposit | 54 | 54 |
| Other receivables | 259 | 175 |
| | <hr/> | <hr/> |
| <u>Total</u> current assets | 1,901 | 2,692 |
| | <hr/> | <hr/> |
| NON-CURRENT ASSETS: | | |
| Property, plant and equipment, net | 98 | 51 |
| Right-of-use assets | 45 | 51 |
| | <hr/> | <hr/> |
| <u>Total</u> non-current assets | 143 | 102 |
| | <hr/> | <hr/> |
| <u>Total</u> assets | \$ 2,044 | \$ 2,794 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION
(U.S. Dollars in thousands)

| | <u>March 31,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> |
|--|---------------------------------|------------------------------------|
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Other payables | \$ 268 | \$ 278 |
| Employees and payroll accruals | 301 | 305 |
| <u>Total current liabilities</u> | <u>569</u> | <u>583</u> |
| NON-CURRENT LIABILITIES: | | |
| Royalty payments | 68 | 95 |
| Lease liability | 13 | 20 |
| <u>Total non-current liabilities</u> | <u>81</u> | <u>115</u> |
| EQUITY: | | |
| Share capital | * | * |
| Additional paid-in capital and other reserves | 11,270 | 11,250 |
| Warrants reserve | 930 | 930 |
| Foreign currency translation reserve | (91) | (73) |
| Share-based payment reserve | 408 | 407 |
| Accumulated Deficit | (11,123) | (10,418) |
| <u>Total shareholders' equity</u> | <u>1,394</u> | <u>2,096</u> |
| <u>Total liabilities and shareholders' equity</u> | <u>\$ 2,044</u> | <u>\$ 2,794</u> |

* Represents an amount lower than \$0.5.

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

| | | |
|--|---|---|
| <p><i>"Yoram Drucker"</i></p> <hr style="width: 80%; margin: 0 auto;"/> <p>Yoram Drucker Chairman of the board</p> | <p><i>"Dr. Lior Shaltiel"</i></p> <hr style="width: 80%; margin: 0 auto;"/> <p>Dr. Lior Shaltiel Director and CEO</p> | <p>May 23, 2023</p> <hr style="width: 80%; margin: 0 auto;"/> <p>Date of approval of the Financial statements</p> |
|--|---|---|

NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF COMPREHENSIVE LOSS
(U.S. Dollars in thousands)

| | Three months period ended March 31, 2023 | Three months period ended March 31, 2022 |
|--|---|---|
| Research and development expenses | \$ 374 | \$ 281 |
| General and administrative expenses | 345 | 1,947 |
| Operating loss | 719 | 2,228 |
| Finance (income) expenses, net | (14) | 87 |
| Net loss | 705 | 2,315 |
| <u>Other comprehensive (income) loss:</u> | | |
| <u>Items that may be reclassified to profit or loss:</u> | | |
| Exchange losses arising on translation of foreign operations | 13 | - |
| <u>Items that will not be reclassified to profit or loss:</u> | | |
| Loss (gain) from foreign currency translation adjustments | 5 | (5) |
| Total comprehensive loss | \$ 723 | \$ 2,310 |
| Net loss per share: | | |
| Basic and diluted loss per share | \$ 0.016 | \$ 0.080 |
| Weighted average number of common shares – basic and diluted * | 42,855,159 | 28,810,102 |

* The share split has been retroactively presented in all periods. (Note 1).
The accompanying notes are an integral part of the condensed interim consolidated financial statements.

NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY
(U.S. Dollars in thousands)

| | <u>Number of shares</u> | <u>Ordinary share capital *</u> | <u>Additional paid-in capital</u> | <u>Share- based payments reserve</u> | <u>Warrants reserve</u> | <u>Foreign currency translation reserve</u> | <u>Accumulated losses</u> | <u>Total</u> |
|--------------------------------------|-----------------------------|---|---|--|-----------------------------|---|-------------------------------|------------------------|
| Balance as of January 1, 2023 | <u>42,855,158</u> | <u>\$ -</u> | <u>\$ 11,250</u> | <u>\$ 407</u> | <u>\$ 930</u> | <u>\$ (73)</u> | <u>\$ (10,418)</u> | <u>\$ 2,096</u> |
| <u>Changes during the period:</u> | | | | | | | | |
| Net loss | - | - | - | - | - | - | (705) | (705) |
| Other comprehensive loss | - | - | - | - | - | (18) | - | (18) |
| Net loss and total comprehensive | - | - | - | - | - | (18) | (705) | (723) |
| Share-based compensation | - | - | 20 | 1 | - | - | - | 21 |
| Balance as of March 31, 2023 | <u>42,855,158</u> | <u>\$ -</u> | <u>\$ 11,270</u> | <u>\$ 408</u> | <u>\$ 930</u> | <u>\$ (91)</u> | <u>\$ (11,123)</u> | <u>\$ 1,394</u> |

* Represents an amount lower than \$0.5.

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

NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY
(U.S. Dollars in thousands)

| | Ordinary share capital * | Additional paid-in capital | Share- based payments reserve | Foreign currency translation reserve | Accumulated losses | Total |
|--------------------------------------|---|---|--|---|-------------------------------|-----------------|
| Balance as of January 1, 2022 | \$ - | \$ 3,257 | \$ 174 | \$ (5) | \$ (2,249) | \$ 1,177 |
| <u>Changes during the period:</u> | | | | | | |
| Net loss | - | - | - | - | (2,315) | (2,315) |
| Other comprehensive loss | - | - | - | 5 | - | 5 |
| Net loss and total comprehensive | - | - | - | 5 | (2,315) | (2,310) |
| Warrants exercised | - | 16 | - | - | - | 16 |
| Expiry of full-ratchet protection | - | 109 | - | - | - | 109 |
| Share-based compensation | - | - | 119 | - | - | 119 |
| <u>Issuance of common shares to:</u> | | | | | | |
| Private placement investors ** | - | 34 | - | - | - | 34 |
| Consultants and others | - | 981 | - | - | - | 981 |
| Balance as of March 31, 2022 | \$ - | \$ 4,397 | \$ 293 | \$ - | \$ (4,564) | \$ 126 |

* Represents an amount lower than \$0.5.

** Includes issuance expenses of \$57.

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

NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. Dollars in thousands)

| | Three months period ended March 31, 2023 | Three months period ended March 31, 2022 |
|---|---|---|
| | <u> </u> | <u> </u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (705) | \$ (2,315) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 6 | - |
| Share-based compensation | 1 | 119 |
| Interest expenses on convertible notes | - | 23 |
| Revaluation of financial derivatives | - | 5 |
| Revaluation of royalty payments | (27) | 35 |
| Compensation for consultants through share issuance | - | 981 |
| Changes in operating assets and liabilities: | | |
| Increase in employees and payroll accruals | (11) | 5 |
| Increase in other receivables | (96) | (37) |
| Increase in other payables | 9 | 16 |
| | <u> </u> | <u> </u> |
| Net cash used in operating activities | (823) | (1,168) |
| | <u> </u> | <u> </u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment, net | (52) | - |
| | <u> </u> | <u> </u> |
| Net cash used in investing activities | (52) | - |
| | <u> </u> | <u> </u> |
| CASH FLOWS GENERATED (USED) FROM FINANCING ACTIVITIES: | | |
| Proceeds from the issuance of private placement | - | 93 |
| Due from shareholders and other | - | 451 |
| Proceeds from warrants reserve | - | 2 |
| Proceeds from derivatives | - | 5 |
| Payment of lease liabilities | (8) | - |
| | <u> </u> | <u> </u> |
| Net cash provided by financing activities | (8) | 551 |
| | <u> </u> | <u> </u> |

NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. Dollars in thousands)

| | Three months period ended March 31, 2023 | Three months period ended March 31, 2022 |
|---|---|---|
| | | |
| Effect of exchange rate changes on cash | 8 | (35) |
| Net increase in cash | (875) | (652) |
| Cash at the beginning of the period | 2,463 | 2,214 |
| Cash at the end of the period | \$ 1,588 | \$ 1,562 |
| SIGNIFICANT NON-CASH ACTIVITIES: | | |
| Expiry of full-ratchet protection | \$ - | \$ 109 |
| Issuance expenses | \$ - | \$ 41 |

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

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(U.S. Dollars in thousands)

NOTE 1 - GENERAL:

A. Nature and continuance of operation

NurExone Biologic Inc. (formerly EnerSpar Corp. or “EnerSpar”) (“the Company” or “NurExone”) is a publicly-traded company with a registered office located at Suite 1600, 1 First Canadian Place, 100 King Street West, Toronto, ON M5X 1G5, Canada. The Company and its business as presented are the results of the Reverse Takeover Transaction (“RTO”) of EnerSpar by NurExone Biologic Ltd (“the Subsidiary Company” or “NurExone Ltd”), a pharmaceutical business incorporated in Israel in June 2020.

The Company was incorporated in Alberta in 2011 and is traded on the Toronto Stock Exchange Venture Exchange (“the Exchange”) with the symbol “NRX”, and in Germany with the symbol “J90” on the Frankfurt Stock Exchange, German Composite, Stuttgart Stock Exchange, and Munich Stock Exchange and is a Reporting Issuer in Alberta, Ontario, and British Columbia.

On June 15, 2022, the Company (formerly EnerSpar) completed the RTO with NurExone Ltd. The common shares in the capital of the Company (“Common Shares”) were consolidated with each of the 10 pre-consolidation Common Shares being exchanged for 1 post-consolidation Common Share.

NurExone is developing a revolutionary treatment for the reversal or reduction of paralysis following Spinal Cord Injury (“SCI”) using Exosomes (membrane-bound extracellular vesicles). This technology, subject to conducting clinical trials and receiving Food and Drug Administration approval, can be used in various conditions such as SCI, Brain Trauma Injury (“BTI”), and potentially other brain and neurological indications.

B. Going Concern

Since its inception, the Company has been in the research and development stage and has incurred losses with no expectation for any revenue in the near future.

As of March 31, 2023, the Company had cash of \$1,588 (December 31, 2022 - \$2,463), and as of that date, the Company’s current liabilities were exceeded by its total assets by \$1,394 (December 31, 2022 - \$2,096). The Company had an accumulated deficit of \$11,123 as of March 31, 2023, (December 31, 2022 - \$10,418).

Management believes the Company may not have sufficient funds to cover planned operations throughout the next twelve months.

Management may secure additional financing through the issue 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. This could result in adjustments to the amounts and classifications of assets and liabilities in the Company’s unaudited condensed interim consolidated financial statements.

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(U.S. Dollars in thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies adopted in the preparation of the financial statements are set out below.

Basis of preparation

These unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2023, are presented in United States dollars. The functional currency of the Company is the Canadian dollar, and the functional currency of the Subsidiary Company is the New Israeli Shekel, which was decided using the principal currency of the primary economic environment in which the Subsidiary Company operates.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the requirements of International Accounting Standard IAS 34 “Interim Financial Reporting”. They do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2022.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the last annual financial statements of the Company for the year ended December 31, 2022.

NOTE 3 – SIGNIFICANT EVENTS DURING THE REPORTING PERIOD:

- (1) On January 11, 2023, the Company signed a services agreement with Only Orphans Cote LLC for a total payment of \$41, to prepare the Orphan Drug Designation Application for the Company’s drug treatment of acute spinal cord injury.
- (2) On January 17, 2023, the Company signed a services agreement with Bio Pharmax Group (1996) Ltd. for a total payment of \$27 plus VAT, to provide a layout design for a research lab.

NOTE 4 – SHAREHOLDERS’ EQUITY:

A. Share capital

The Authorized and Issued and outstanding share capital, are as follows:

| | Authorized as of | | Issued and outstanding as of | |
|---|-------------------|----------------------|------------------------------|----------------------|
| | March 31, 2023 | December 31, 2022 | March 31, 2023 | December 31, 2022 |
| Consolidated Common Shares without a nominal par value | Unlimited | Unlimited | 42,855,159 | 42,855,159 |

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(U.S. Dollars in thousands)

NOTE 4 – SHAREHOLDERS’ EQUITY (CONT.):

B. Incentive Share Option Plan

On December 19, 2022, following the board approval, the shareholders approved the 2022 equity incentive plan (the “Equity Incentive Plan”) of the Company, to be effective on that day, as follows: (i) The Equity Incentive Plan has replaced the Option Plan that was in place. (ii) The number of Shares reserved for issuance to Participants under the Equity Incentive Plan and all other share compensation arrangements of the Company (including the Shares reserved for issuance pursuant to the Option Plan) is set at a fixed limit of up to an aggregate of 7,691,891 Shares, such number being equal to approximately 18% of the issued and outstanding Shares at the Annual and Special meeting of shareholders. (iiv) If any Award is terminated, canceled, forfeited, or has expired without being fully exercised, any unissued Shares that had been reserved to be issued upon the exercise of the Award will be returned to the Total Share Authorization and become available to be issued under Awards subsequently granted under the Equity Incentive Plan.

As of March 31, 2023, the Company had 3,726,896 Common Shares available for issuance pursuant to the exercise or vesting of awards under the Company’s equity incentive plan.

Share options as of March 31, 2023, and activity for 2022:

| | Number of Options (*) | Weighted-average exercise price (CAD\$) |
|--|----------------------------------|--|
| Share options outstanding as of December 31, 2021 | 3,834,695 | 0.80 |
| Grant of NurExone options on January 23, 2022 | 374,000 | 0.80 |
| Forfeiture of NurExone options on March 30, 2022 | (44,200) | 0.80 |
| Expiry of EnerSpar options on May 4, 2022 | (12,500) | 0.80 |
| Forfeiture of NurExone options in December 2022 | (93,500) | 0.80 |
| Share options outstanding as of December 31, 2022 | 4,058,495 | 0.80 |
| Expiry of NurExone options in March 2023 | (93,500) | 0.80 |
| Share options outstanding as of March 31, 2023 | 3,964,995 | 0.80 |

(*) The share split has been retroactively presented in all periods. (Note 1(A)).

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(U.S. Dollars in thousands)

NOTE 4 – SHAREHOLDERS’ EQUITY (CONT.):

C. Warrants

Warrants to purchase Common Shares outstanding as of March 31, 2023:

| | Issuance date | Expiration date | Weighted- average exercise price (CAD\$) | Outstanding (*) |
|--|--------------------------|----------------------------|---|-----------------------------|
| Issued warrants - Convertible Notes | June 15, 2022 | June 15, 2024 | 1.20 | 1,374,573 |
| Issued warrants - Private Placement | June 2, 2021 | June 2, 2023 | 1.20 | 1,408,076 |
| Issued warrants - Private Placement | June 15, 2022 | June 15, 2024 | 1.20 | 7,889,343 |
| Issued warrants - Subscription Receipts | June 15, 2022 | June 15, 2024 | 1.20 | 4,551,814 |
| Outstanding warrants as of March 31, 2023 | | | 1.20 | 15,223,806 |

(*) After giving effect to the Share split.

NOTE 5 – RELATED PARTIES:

Related Party – Technion Research & Development Foundation Ltd. ("TRDF")

The Company has transactions and balances with TRDF, a key vendor and main shareholder, that holds 3,927,000 Common Shares, which represent 6% on a fully diluted basis, as of March 31, 2023.

The transactions and balances of the Company to TRDF are as follows:

| | March 31, 2023 | December 31, 2022 |
|--|---|---|
| <u>Assets related to related party transactions</u> | | |
| Other receivables | \$ 137 | \$ 65 |
| | March 31, 2023 | December 31, 2022 |
| <u>Liabilities related to related party transactions</u> | | |
| Other account payables | \$ 22 | \$ - |
| | Three months period ended March 31, 2023 | Three months period ended March 31, 2022 |
| <u>Expenses</u> | | |
| Transactions | \$ 159 | \$ 158 |

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(U.S. Dollars in thousands)

NOTE 6 - SUBSEQUENT EVENTS:

- (1) On May 11, 2023, the Company engaged Litchfield Hills Research, LLC (“Litchfield”) to perform investor relations services and activities for one year, as defined in accordance with the policies of the Exchange and applicable securities laws. Pursuant to the agreement with Litchfield, the Company will pay an annual cash fee of \$14, of which \$5 is payable upon entering into the agreement, with the remaining amount payable in three equal installments over the following nine months.