

NUREXONE BIOLOGIC INC.
CONSOLIDATED
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023

NUREXONE BIOLOGIC INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	3-5
Consolidated statements of financial position	6-7
Consolidated statements of comprehensive loss	8
Consolidated statements of changes in shareholders' equity	9-10
Consolidated statements of cash flows	11-12
Notes to the consolidated financial statements	13-42



INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF

NUREXONE BIOLOGIC INC.

Opinion

We have audited the accompanying consolidated financial statements of NurExone Biologic Inc. (the “Company”), which comprise the consolidated statements of financial position as of December 31, 2023, and 2022, 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 of December 31, 2023, and 2022, and its financial performance, and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

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 1B in the consolidated financial statements, which indicates that the Company is in a development stage, has incurred a net loss of US\$3.6 million during the year ended December 31, 2023, and has not generated any revenues and expects to continue to fund its operations through raising adequate funds in the foreseeable future. As stated in Note 1B, these events or conditions, along with other matters as set forth in Note 1B, 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 with respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements of the current period. 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 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 to those charged with governance.

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 IFRSs, 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 are 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 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 2, 2024

Tel Aviv | Jerusalem | Haifa | Beer Sheva | Rehovot | Bene Berak | Kiryat Shmona | Modiin Ilit | Eilat
+972-3-6386868 | +972-2-6546200 | +972-4-8680600 | +972-77-7784100 | +972-3-6386788 | +972-73-7145300 | +972-77-5054906 | +972-8-9744111 | +972-8-6339911

Head Office: Amot BDO House, 48 Menachem Begin Road, Tel Aviv 6618001, ISRAEL **Email:** bdo@bdo.co.il **Our Site:** www.bdo.co.il

BDO Israel, an Israeli partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms

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

	Note	December 31, 2023	December 31, 2022
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4	\$ 541	\$ 2,463
Restricted cash associated with private placement	5	1,197	-
Restricted deposit	6	32	54
Other receivables	7	212	175
		1,982	2,692
NON-CURRENT ASSETS:			
Property, plant and equipment, net	8	158	51
Right-of-use assets	9	30	51
		188	102
		Total current assets	2,692
		Total non-current assets	102
		Total assets	2,794
		\$ 2,170	\$ 2,794

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

NUREXONE BIOLOGIC INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(U.S. Dollars in thousands)

	Note	December 31, 2023	December 31, 2022
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Other payables	10	\$ 317	\$ *298
Financial liability associated with private placement	5	1,197	-
Employees and payroll accruals		299	305
Advance income from governmental grants (IIA)	20	95	-
		1,908	603
NON-CURRENT LIABILITIES:			
Royalty payments	20	71	*75
Lease liability	9	2	20
		73	95
EQUITY:			
Share capital	11	**	**
Additional paid-in capital and other reserves	11	12,162	11,250
Warrants reserve	12	1,137	930
Foreign currency translation reserve		(45)	(73)
Share-based payment reserve	13	992	407
Accumulated deficit		(14,057)	(10,418)
		189	2,096
Total liabilities and shareholders' equity		\$ 2,170	\$ 2,794

* Reclassified.

** Represents an amount lower than \$0.5.

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

<i>"Yoram Drucker"</i>	<i>"Dr. Lior Shaltiel"</i>	April 2, 2024
Yoram Drucker Chairman of the board	Dr. Lior Shaltiel Director and CEO	Date of approval of the Financial statements

NUREXONE BIOLOGIC INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE POSITION
(U.S. Dollars in thousands)

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Research and development expenses	14	\$ 1,541	\$ 1,391
General and administrative expenses	15	2,116	4,150
Listing expenses	16	-	2,078
		<u>3,657</u>	<u>7,619</u>
Operating loss			
Finance (income) expenses, net	17	(18)	550
		<u>3,639</u>	<u>8,169</u>
Net loss			
 <u>Other comprehensive (income) loss:</u>			
<u>Items that may be reclassified to profit or loss:</u>			
Exchange gains arising on translation of foreign operations		9	91
 <u>Items that will not be reclassified to profit or loss:</u>			
Loss from foreign currency translation adjustments		(37)	(23)
		<u>\$ 3,611</u>	<u>\$ 8,237</u>
Total comprehensive loss			
 Net loss per share:			
Basic and diluted loss per share		<u>\$ 0.081</u>	<u>\$ 0.216</u>
 Weighted average number of common shares –			
Basic and diluted		<u>44,722,288</u>	<u>37,733,703</u>

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

NUREXONE BIOLOGIC INC.
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>42,855,159</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	-	-	-	-	-	-	(3,639)	(3,639)
Other comprehensive loss	-	-	-	-	-	28	-	28
Net loss and total comprehensive	-	-	-	-	-	28	(3,639)	(3,611)
Expired warrants (Note 12)	-	-	107	-	(107)	-	-	-
Amended warrants (Note 12)	-	-	11	-	(11)	-	-	-
Expired options (Note 13)	-	-	54	(54)	-	-	-	-
Share-based compensation	-	-	-	639	-	-	-	639
Issuance of common shares to private placement investors, net **	<u>5,394,548</u>	-	<u>740</u>	-	<u>325</u>	-	-	<u>1,065</u>
Balance as of December 31, 2023	<u>48,249,707</u>	<u>\$ -</u>	<u>\$ 12,162</u>	<u>\$ 992</u>	<u>\$ 1,137</u>	<u>\$ (45)</u>	<u>\$ (14,057)</u>	<u>\$ 189</u>

* Represents an amount lower than \$0.5.

** Includes issuance expenses of \$22.

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

NUREXONE BIOLOGIC INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(U.S. Dollars in thousands)

	Number of shares	Ordinary share capital *	Additional paid-in capital	Share-based payments reserve	Warrants reserve	Foreign currency translation reserve	Accumulated losses	Total
Balance as of January 1, 2022	2,536,000	\$ -	\$ 3,257	\$ 174	\$ -	\$ (5)	\$ (2,249)	\$ 1,177
<u>Changes during the period:</u>								
Net loss	-	-	-	-	-	-	(8,169)	(8,169)
Other comprehensive loss	-	-	-	-	-	(68)	-	(68)
Net loss and total comprehensive	-	-	-	-	-	(68)	(8,169)	(8,237)
Fair value of reverse takeover	22,290,519	-	1,605	-	-	-	-	1,605
Exercised warrants	3,927,000	-	16	-	-	-	-	16
Expiry of full-ratchet protection	-	-	115	-	-	-	-	115
Share-based compensation	-	-	-	233	-	-	-	233
<u>Issuance of common shares to:</u>								
Subscription receipts investors, net **	4,551,814	-	2,613	-	343	-	-	2,956
Private placement investors	2,465,221	-	854	-	-	-	-	854
Reclassification of warrants liability to warrant equity in respect of the private placement	-	-	-	-	510	-	-	510
Convertible notes investors	2,684,249	-	1,171	-	18	-	-	1,189
Reclassification of warrants liability to warrant equity in respect of the convertible notes	-	-	-	-	59	-	-	59
Founders, consultants, and creditors	4,400,356	-	1,619	-	-	-	-	1,619
Balance as of December 31, 2022	42,855,159	\$ -	\$ 11,250	\$ 407	\$ 930	\$ (73)	\$ 10,418)	\$ 2,096

* Represents an amount lower than \$0.5.

** Includes issuance expenses of \$139.

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

NUREXONE BIOLOGIC INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. Dollars in thousands)

	Year ended December 31, 2023	Year ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,639)	\$ (8,169)
<u>Adjustments to reconcile net loss to net cash used in operating activities:</u>		
Depreciation and amortization	33	6
Share-based compensation	639	233
Interest expenses on convertible notes	-	30
Revaluation of financial derivatives	-	158
Revaluation of royalty payments	22	66
Compensation for consultants through share issuance	-	1,744
Reserve Takeover (Appendix A)	-	1,847
<u>Changes in operating assets and liabilities:</u>		
Increase (decrease) in employees and payroll accruals	(32)	276
Increase in other receivables	(11)	(10)
Increase (decrease) in other payables	47	(29)
Net cash used in operating activities	(2,941)	(3,848)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment, net	(120)	(52)
Restricted cash, net	23	(37)
Net cash used in investing activities	(97)	(89)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of subscription receipts	-	1,027
Proceeds from the issuance of private placement	740	1,304
Proceeds from the issuance of warrants	325	148
Receipt of grants from the IIA	95	-
Proceeds from the issuance of convertible notes	-	111
Proceeds from the issuance to consultants and founders	-	43
Reverse Takeover (Appendix A)	-	1,677
Payment of lease liabilities	(28)	(15)
Net cash provided by financing activities	1,132	4,295

NUREXONE BIOLOGIC INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. Dollars in thousands)

	Year ended December 31, 2023	Year ended December 31, 2022
Effect of exchange rate changes on cash	(16)	(109)
Net (decrease) increase in cash	(1,922)	249
Cash at the beginning of the period	2,463	2,214
Cash at the end of the period	\$ 541	\$ 2,463

SIGNIFICANT NON-CASH ACTIVITIES:

Expiry of full-ratchet protection	\$ -	\$ 115
Issuance expenses	\$ 22	\$ 139
Conversion of debt into shares	\$ -	\$ 135
Right-of-use asset and lease liability	\$ -	\$ 59
Issue of shares from convertible notes conversion	\$ -	\$ 1,285
Subscription receipt held for investors	\$ 1,197	\$ -

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

Appendix A – Reverse Takeover:

	June 20, 2022
<u>Reverse Takeover costs as at the completion</u>	
Working capital other than cash	\$ 1,919
Issuance of shares upon Reverse Takeover	1,605
Listing expenses	(1,847)
Cash received	\$ 1,677

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

NOTE 1 - GENERAL:

A. Nature and continuance of operations

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**”) under the symbol “**NRX**”, and in Germany under 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 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, traumatic brain injury, and potentially other brain and neurological indications.

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. References to the symbol “**CAD\$**” means the Canadian dollar, and “**NIS**” means the New Israeli Shekel. Except as otherwise set out herein, all amounts expressed herein are in thousands and are in the currency of the United States, denominated by “**\$**” or “**US\$**”.

B. Going Concern

The Company is in the research and development stage. The Company has incurred net losses each year since its inception, including net loss of \$3,639 and \$8,169 for the years ended December 31, 2023, and 2022, respectively. As of December 31, 2023, the Company had an accumulated deficit of \$14,057.

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 consolidated financial statements.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 1 – GENERAL (CONT.):

C. War in Israel

On October 7, 2023, an attack was launched against Israel, which thrust Israel into a state of war. As of the issuance date of the Company's financial statements, the state of war had no substantial impact on its operations or business results.

D. Private Placement

On September 6, 2023, the Company completed a non-brokered private placement of units of the Company (each, a "Unit") in two tranches. In the aggregate, the Company issued and sold 5,394,548 Units at a price of CAD\$0.275 per Unit for aggregate proceeds of \$1,087 (CAD\$1,484) under the private placement. Additionally, the private placement incurred \$22 in transaction costs.

Each Unit consisted of (i) one Common Share; (ii) one-half of one class A Common Share purchase warrant (each whole class A Common Share purchase warrant, a "Class A Warrant"); and (iii) one-half of one class B Common Share purchase warrant (each whole class B Common Share warrant, a "Class B Warrant" and collectively each whole Class A Warrant and each whole Class B Warrant, a "Class A and B Warrants"). Each Class A Warrant entitles the holder thereof to purchase one Common Share at a price of CAD\$0.34 per Common Share for a period of 24 months following issuance and each whole Class B Warrant entitles the holder thereof to purchase one Common Share at a price of CAD\$0.48 per Common Share for a period of 36 months following issuance. The Class A and B Warrants are subject to accelerated expiration whereby if the daily volume weighted average trading price of the Common Shares on the TSX Venture Exchange ("TSXV") for any period of 20 consecutive trading days equals or exceeds CAD\$0.69 in respect of the Class A Warrants or CAD\$0.83 in respect of the Class B Warrants, the Company may, upon providing written notice to the holders of the Class A Warrants or Class B Warrants, as applicable (the "Acceleration Notice"), accelerate the expiry date of the respective Class A Warrants or Class B Warrants to the date that is 30 days following the date of the Acceleration Notice. If the Class A and B Warrants are not exercised by the applicable accelerated expiry dates, the Class A and B Warrants will expire and be of no further force or effect. All securities issued under the 2023 Private Placement were subject to a statutory hold period of four months and one-day following issuance. (Note 12(A)4).

NUREXONE BIOLOGIC INC.
NOTES TO THE 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.

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention except for certain derivatives. The Company has elected to present the statement of comprehensive loss using the function of expense method.

These consolidated financial statements of the Company were authorized for issue by the board of directors on March 27, 2024.

B. Basis of consolidation

The Financial results 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.

C. Use of estimates and assumptions in the preparation of the financial statements

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).

D. Foreign currency

These consolidated financial statements of the Company for the year ended December 31, 2023, are presented in United States dollars. The functional currency of the Company is the Canadian dollar, and the functional currency of the Israeli subsidiary company (the "**Subsidiary Company**" or "**NurExone Ltd**") is the New Israeli Shekel, which was decided using the principal currency of the primary economic environment in which the Subsidiary Company operate. References to the symbol "CAD\$" mean the Canadian dollar, "NIS" mean the New Israeli Shekel. Except as otherwise set out herein, all amounts expressed herein are in thousands and are in the currency of the United States, denominated by "\$" or "US\$". Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Foreign currency (cont.)

Exchange differences arising on 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 on the retranslation of the foreign operation.

On consolidation, the results of overseas operations are translated as follows:

All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on 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. Fair value measurement

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

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

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 that use inputs that are not based on observable market data).

F. 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.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.):

G. Research and development expenditures

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 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 ability to reliably measure the respective expenditure asset during its development. For the period presented, development costs incurred have not met the criteria for capitalization.

H. Government investment grants

Government grants are recognized when there is reasonable assurance that the grants will be received, and the Company will comply with the related conditions. Government grants received from the Israel Innovation Authority ("**IIA**") are recognized upon receipt as a liability if future economic benefits are expected from the project that will result in royalty-bearing sales. If no such economic benefits are expected, the grants are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as contingent liability in accordance with IAS 37.

Grants received from the IIA that are recognized as a liability are accounted for as forgivable loans, in accordance with IAS 20 (Revised), pursuant to the provisions of IFRS 9, "Financial Instruments".

For the year ended December 31, 2023, the Company recognized the amount of \$95 (NIS 343) as an upfront payment received by the IIA, accounted as an advance income from governmental grants, prior to project initiation that expected in January 2024. (Note 20).

I. Listing expenses

The Company recognized the incremental costs that were directly attributable to issuing Common Shares in equity and the costs that were related to the stock market listing or are otherwise not incremental and directly attributable to issuing Common Shares, were recognized as an expense in the statement of comprehensive loss. Costs that were related to both Common Share issuance and listing were allocated between those functions based on the number of Common Shares on a relative basis.

J. Share-based payments

The Company has a stock option plan (the "**Option Plan**"). (Note 13(A)). The Company uses 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. Upon exercise of the stock 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 stock 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.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions in the application of the Company's accounting policies. These may affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, which are revised on an ongoing basis.

Judgments

As the basis for its judgments, management uses estimates and related assumptions that are based on previous experience and various commercial, economic, and other factors that are considered reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Actual outcomes may differ from these estimates under different assumptions and conditions. Judgments relate to the following:

Estimates

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's financial position are the share-based compensation expenses and the fair value valuation of warrants, convertible notes, and anti-dilution terms attached to share issuances.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and warrants.

In estimating the fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk-free rate, future dividend yields, and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in different outcomes.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 4 – CASH AND CASH EQUIVALENTS:

	December 31, 2023	December 31, 2022
Cash for immediate withdrawal	\$ 541	\$ 204
Cash equivalents - short-term deposits	-	2,259
Total	\$ 541	\$ 2,463

NOTE 5 – RESTRICTED CASH ASSOCIATED WITH PRIVATE PLACEMENT:

In connection with a non-brokered private placement transaction, the Company has undertaken an issue of Subscription Receipts, towards which funds have been accumulating in a trust account at the Company's solicitors. As of December 31, 2023, the balance in the trust account was \$1,197 (CAD\$1,585). The private placement transaction that has been completed on January 5, 2024, for aggregate proceeds of \$1,501 (CAD\$1,986). (Note 23(1)).

NOTE 6 – RESTRICTED DEPOSIT:

	December 31, 2023	December 31, 2022
Restricted deposit – Canadian credit card	\$ 15	\$ 37
Restricted deposit – Israeli credit card	17	17
Total	\$ 32	\$ 54

NOTE 7 – OTHER RECEIVABLES:

	December 31, 2023	December 31, 2022
Receivable from tax authorities	\$ 89	\$ 48
Prepaid expenses	114	123
Other	9	4
Total	\$ 212	\$ 175

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

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT, NET:

Composition and movements:

	Machinery and lab equipment	Computer equipment	Total
	<u> </u>	<u> </u>	<u> </u>
<u>Cost:</u>			
Balance as of January 1, 2023	\$ 50	\$ 1	\$ 51
Additions	116	4	120
	<u>166</u>	<u>5</u>	<u>171</u>
<u>Accumulated depreciation:</u>			
Balance as of January 1, 2023	1	-	1
Depreciation	11	1	12
	<u>12</u>	<u>1</u>	<u>13</u>
Property, plant and equipment, net as of December 31, 2023	<u>\$ 154</u>	<u>\$ 4</u>	<u>\$ 158</u>
Depreciation rate (%) ⁽¹⁾	<u>14%</u>	<u>33%</u>	

(1) Depreciation is calculated on a straight-line basis over the useful life at annual rates.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 9 – LEASES:

Set out below, are the carrying amounts of the Company’s right-of-use assets and lease liabilities and the movements during the year:

Right-of-use-assets:

	Right-of-use assets	
	Vehicles	Total
As of January 1, 2023	\$ 51	\$ 51
Depreciation expense ⁽¹⁾	(21)	(21)
As of December 31, 2023	\$ 30	\$ 30

(1) The vehicle leases are under non-cancellable terms that are maturely and amortized over three years. The lease obligation until May 2024, and May 2025, amounted to \$4, and \$2, respectively.

Lease liabilities:

	Lease liabilities	
	Vehicles	Total
As of January 1, 2023	\$ 45	\$ 45
Interest expenses	3	3
Payments	(28)	(28)
As of December 31, 2023	\$ 20	\$ 20

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 10 – OTHER PAYABLES:

	December 31, 2023	December 31, 2022
Accrued expenses	\$ 249	\$ 151
Short-term lease liability	18	24
Owed to director	-	22
Royalty payment	26	*20
Other	24	81
Total	\$ 317	\$ 298

* Reclassified.

NOTE 11 – SHAREHOLDERS' EQUITY:

A. Share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares that are non-voting, subject to non-cumulative dividends at a rate set by the Board of Directors at the time of their issuance, redeemable at paid-up capital both the holder's and the Company's option.

The Authorized and Issued and outstanding share capital is as follows:

	Authorized as of		Issued and outstanding as of	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Consolidated Common Shares without a nominal par value	Unlimited	Unlimited	48,249,707	42,855,159

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 11 – SHAREHOLDERS’ EQUITY (CONT.):

B. Issued and outstanding

A summary of the change in the issued and outstanding Common Shares ("Shares") for the two years ended December 31, 2023, is as follows:

	Issued Shares
Outstanding Shares as of December 31, 2021	24,826,519
Exercised Common Shares purchase warrants in February 2022 ⁽¹⁾	3,927,000
Issuance of Shares for Consultants from January to March 2022 ⁽²⁾	2,779,160
Issuance of Shares for Convertible Notes in April 2022 ⁽³⁾	2,684,249
Issuance of Shares for Private Placement in April 2022 ⁽⁴⁾	2,465,221
Issuance of Shares for Advisor on May 13, 2022 ⁽⁵⁾	1,150,000
Issuance of Shares for Subscription Receipts in June 2022 ⁽⁶⁾	4,551,814
Issuance of Shares for creditors as debt settlement in November 2022 ⁽⁷⁾	348,766
Issuance of Shares for creditors as debt settlement in December 2022 ⁽⁸⁾	122,430
Outstanding Shares as of December 31, 2022	42,855,159
Issuance of Shares for Private Placement in September 2023 ⁽⁹⁾	5,394,548
Outstanding Shares as of December 31, 2023	48,249,707

(1) On February 7, 2022, the Technion Research and Development Foundation Ltd., ("TRDF") exercised 3,927,000 Common Shares purchase warrants at a share price of CAD\$0.005. (Note 19(C)).

(2) From January to March 2022, NurExone Ltd issued 2,779,160 Common Shares to several Consultants at a share price of CAD\$0.44 for a total consideration of CAD\$1,223 in connection with consulting services.

(3) On April 30, 2022, the Company completed a Convertible Notes conversion into issued 2,684,249 Common Shares at a share price of CAD\$0.59 and issued 1,374,573 Common Share purchase warrants at an exercise price of CAD\$1.20 per warrant for gross proceeds of \$1,249. On September 22, 2023, the exercise price was amended to CAD\$0.38. (Note 12(A)(5)).

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 11 – SHAREHOLDERS’ EQUITY (CONT.):

B. Issued and outstanding (cont.)

- (4) From January until April 2022, the Company completed a private placement into the issuance of 2,465,221 Common Shares at a share price of CAD\$0.44 and 2,465,221 Common Share purchase warrants at an exercise price of CAD\$1.20 per warrant, for gross proceeds of \$870. On September 22, 2023, the exercise price was amended to CAD\$0.38. (Note 12(A)(5)).
- (5) NurExone Ltd issued 1,150,000 Common Shares to Exiteam Capital Partners Ltd., at a share price of CAD\$0.80 for a total consideration of CAD\$920 for financial advisory services related to a going public transaction on a Canadian stock exchange.
- (6) As a result of the RTO completion, the Company converted 4,551,814 subscription receipts to a total of 4,551,814 Common Shares at a share price of CAD\$0.80 and 4,551,814 Common Share purchase warrants at an exercise price of CAD\$1.20 per warrant, for gross proceeds of CAD\$3,642. On September 22, 2023, the exercise price was amended to CAD\$0.38. (Note 12(A)(5)).
- (7) On November 7, 2022, the TSXV approved an issuing at the current Common Share price to settle certain EnerSpar’s debts prior to RTO. The Company offered 170,195 Common Shares at a deemed price of CAD\$0.80 per share to settle indebtedness of CAD\$136 owed to certain senior officers, directors, creditors, and consultants of EnerSpar. In addition, the TSXV approved additional securities for debt settlement to settle additional debts that were incurred during the recent RTO of CAD\$75 with the issuance of 178,571 Common Shares of the Company at a deemed price of CAD\$0.42 per share.
- (8) On December 6, 2022, the TSXV approved an issuing at the current Common Share price to settle certain EnerSpar’s debts prior to RTO. The Company offered 122,430 Common Shares at a deemed price of CAD\$0.38 per share to settle indebtedness of CAD\$47 owed to a creditor of EnerSpar.
- (9) On September 6, 2023, following the completion of a non-brokered private placement, the Company issued 5,394,548 Common Shares at a share price of CAD\$0.275, and 2,697,274 Common Share purchase warrants at an exercise price of CAD\$0.34 per warrant and 2,697,274 Common Share purchase warrants at an exercise price of CAD\$0.48 per warrant for gross proceeds of \$1,087 (CAD\$1,484). (Note 1(D)).

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

NOTE 12 – WARRANTS RESERVES:

A. Common Share purchase warrants ("Warrants")

- (1) As of December 31, 2022, an aggregate of 15,223,806 Warrants were issued and outstanding. Each Warrant is exercisable for one (1) Common Share per Warrant at an exercise price of CAD\$1.20 per Common Share.
- (2) On June 2, 2023, an aggregate of 1,408,076 Warrants expired unexercised at an exercise price of CAD\$1.20 per Common Share, which were accounted at a fair value of \$47.
- (3) On August 27, 2023, an aggregate of 1,133,390 Warrants expired unexercised at an exercise price of CAD\$1.20 per Common Share, which were accounted at a fair value of \$60.
- (4) On September 6, 2023, the Company issued 5,394,548 Warrants, pursuant to the completion of Private Placement, which were recorded at a fair value of \$325. (Note 1(D)).
The warrants meet the fixed-to-fixed criteria under IAS 32, and therefore it classified to warrants equity.
The warrants recorded at a fair value of \$325, using the Black-Scholes model with the following key assumptions: risk-free interest rate at 3.6%, expected volatility at 86%, expected life (years) at 2.0-3.0, and expected dividend yield at 0.
- (5) On September 22, 2023, the TSXV approved the amendment of 12,682,340 Warrants. The amendments (“**Amendments**”) consisted of (i) a reduction of the exercise price of all Warrants from CAD\$1.20 per Common Share to CAD\$0.38 per Common Share; (ii) the extension of the expiry date of 1,419,500 Warrants from November 30, 2023, to June 15, 2024; (iii) the extension of the expiry date of 283,322 Warrants from December 30, 2023, to June 15, 2024; (iv) the extension of the expiry date of the remainder of the 10,979,518 Warrants to June 15, 2024; and (v) the addition of an accelerated expiration date to all Warrants (the “**Accelerated Expiration**”), such that if the closing price of the Common Shares trading on the TSXV exceeds CAD\$0.475 per Common Share for any ten consecutive trading days (“**Acceleration Event**”), the expiration date of the Warrants will be automatically accelerated to the date that is thirty days following the Acceleration Event.

Following the Amendments, each Warrant is exercisable for one Common Share at a price of CAD\$0.38 per Common Share at any time prior to June 15, 2024, subject to the Accelerated Expiration.

The amended warrants of 12,682,340, have been reassessed and the de-minimis amount of the revaluation accounted at Additional Paid In Capital. (Note 23(7)).

The warrants were accounted at a fair value of \$812, using the Black-Scholes model with the following key assumptions: risk-free interest rate at 3.26%, expected volatility at 87%, expected life (years) at 1.0, and expected dividend yield at 0, which reflects a decrease of \$11, resulting from the reassessment of 12,682,340 amended warrants.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 12 – WARRANTS RESERVES (CONT.):

B. Composition and movements:

(1) The following table reconciles the movement in Warrants outstanding at the beginning and end of the period:

	Number of Warrants	Weighted- average exercise price (CAD\$)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Balance as of December 31, 2022	15,223,806	1.20	1.30	\$ 930
Issued	5,394,548	0.41	-	325
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	2,541,466	1.20	-	107
Balance as of December 31, 2023	18,076,888	0.39	0.96	\$ * 1,137

* Note 12(A)(5).

(2) The following table summarizes information about the Company's outstanding Warrants as of December 31, 2023:

Exercise Price (CAD\$)	Warrants outstanding as of December 31, 2023	Expiration date	Acceleration exercise price (CAD\$)	Aggregate Intrinsic value
0.48	2,322,274	August 25, 2026	0.83	\$ 145
0.48	375,000	September 6, 2026	0.83	23
0.38	12,682,340	June 15, 2024	0.475	812
0.34	2,322,274	August 25, 2025	0.69	135
0.34	375,000	September 6, 2025	0.69	22
	18,076,888		0.56	\$ 1,137

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

NOTE 13 – SHARE-BASED COMPENSATION:

A. Share Incentive Plan

- (1) At the Annual and Special meeting of shareholders held on June 28, 2023, the shareholders approved the equity incentive plan of the Company, pursuant to which all directors, officers, employees, management company employees, and consultants of the Company and/or its affiliates are eligible to receive awards under the equity incentive plan, subject to the terms of the equity incentive plan. Awards include Common Share purchase options, restricted share awards, and restricted share units. The number of Common Shares reserved for issuance to participants under the equity incentive plan and all other share compensation arrangements of the Company (including the Common Shares reserved for issuance pursuant to the former option plan of the Company) is set at a fixed limit of up to an aggregate of 7,713,928 Common Shares, such number being equal to approximately 18% of the issued and outstanding of 42,855,159 Common Shares, as of the Annual and Special meeting of shareholders held on June 28, 2023.
- (2) On May 8, 2023, following the Board of Directors' approval, the Company granted incentive awards under the Company's equity incentive plan to certain officers, employees, and directors of the Company, as follows: (i) 1,578,020 options, with each option exercisable for one Common Share at a price of CAD\$0.28 per Common Share. 827,120 of the options were fully vested as of the grant date and will expire on May 8, 2032. 750,900 of the options will be vested over two years in various increments, with an expiration period of ten years following the vesting commencement date. The fair value of each option as of the grant date was CAD\$0.24, determined using the Black-Scholes option pricing model at total stock-based compensation costs of \$284. Each option will vest for one Common Share on the date that is up to 24 months following the date of the grant. (ii) 1,275,000 restricted shares units (“RSUs”) determined based on the Company's Common Share price of CAD\$0.32 as of the date of grant, at total stock-based compensation costs of \$302. Each RSU will vest for one Common Share of the Company on the date that is 12 months following the date of the grant.
- (3) On June 28, 2023, the Company held its annual and special meeting of shareholders, pursuant to which the shareholders approved an amendment to the exercise price of 3,706,595 previously issued Common Share purchase options from an exercise price of CAD\$0.80 per Common Share to CAD\$0.33 per Common Share (the “**Amended Options**”). The fair value of the Amended Options as of the shareholders' approval date is determined at CAD\$0.18, using the Black-Scholes option pricing model, at total benefit value costs of \$51, in accordance with the vesting schedule period of each of the Amended Options. On July 12, 2023, the implementation of the Amended Options took effect, following the Israel Tax Authority's ruling approval.
- (4) On October 30, 2023, following the Board of Directors' approval, the Company granted incentive awards under the Company's equity incentive plan to certain employees, service providers, and directors of the Company, of 1,144,109 options, with each option exercisable for one Common Share at a price of CAD\$0.32 per Common Share. 679,909 of the options shall vest 25% each quarter over one year and will expire on October 30, 2033. 464,200 of the options will be vested over two years in various increments, with an expiration period of ten years following the vesting commencement date. The fair value of each option as of the grant date was CAD\$0.22, determined using the Black-Scholes option pricing model at total stock-based compensation costs of \$185.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 13 – SHARE-BASED COMPENSATION (CONT.):

A. Share Incentive Plan (cont.)

The Company estimates the fair value of stock options granted using the binominal option-pricing model. The option-pricing model requires several assumptions, of which the most significant are the expected stock price volatility and the expected option term.

The expected volatility was calculated based on the Company's historical share price and the historical volatility of similar entities in the related sector index.

The expected term of the options granted is derived from the output of the option valuation model and represents the period that options granted are expected to be outstanding.

The risk-free interest rate is based on the interest curve on Government of Canada marketable bonds for periods corresponding to the life of the option in the grant date.

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

The following table lists the inputs to the binomial option-pricing model used for the fair value measurement of equity-settled share options for the above Options Plans for the years 2023 and 2022:

	Year ended December 31, 2023	Year ended December 31, 2022
	<hr/>	<hr/>
Risk-free interest rate	3.1%-3.9%	1.9%
Expected volatility	84%-88%	45%
Expected life (in years)	3.0	2.5
Expected dividend yield	0	0
	<hr/>	<hr/>

Based on the above inputs, the fair value of the options was determined to be CAD\$0.18 – CAD\$0.24 per option at the grant date.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 13 – SHARE-BASED COMPENSATION (CONT.):

B. Composition and movements:

(1) The following table summarizes the number of options granted to employees, directors, and others, under the Option Plans for the year ended December 31, 2023, and related information:

	Number of options	Weighted- average exercise price (CAD\$)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Balance as of December 31, 2021	3,834,695	0.80	9.66	\$ 174
Granted	374,000	0.80	-	34
Exercised	-	-	-	-
Forfeited	137,700	0.80	-	24
Expired	12,500	0.80	-	-
Balance as of December 31, 2022	4,058,495	0.80	8.71	\$ 407
Granted	2,722,129	0.30	-	363
Exercised	-	-	-	-
Forfeited	276,900	0.44	-	18
Expired	384,200	0.68	-	55
Balance as of December 31, 2023	6,119,524	0.32	6.71	\$ 796
Exercisable as of December 31, 2023	4,455,440	0.32	4.81	

As of December 31, 2023, there are \$95 of total unrecognized costs related to share-based compensation that is expected to be recognized over a period of up to two years.

As of December 31, 2023, the Company had 319,404 Common Shares available for issuance pursuant to the exercise or vesting of awards under the Company's equity incentive plan.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 13 – SHARE-BASED COMPENSATION (CONT.):

B. Composition and movements (cont.):

(2) The following table summarizes information about the Company's outstanding and exercisable options granted to employees, directors, and others, as of December 31, 2023:

Exercise Price (CAD\$)	Options outstanding as of December 31, 2023	Weighted- average remaining contractual term (years)	Options exercisable as of December 31, 2023	Weighted- average remaining contractual term (years)
0.33	3,577,395	7.74	3,271,395	7.74
0.32	1,084,109	9.77	-	0.00
0.28	1,458,020	9.36	1,184,045	9.36
	<u>6,119,524</u>		<u>4,455,440</u>	

(3) As of December 31, 2023, the Company had outstanding 1,275,000 Restricted Share Units awarded under the Company's equity incentive plan. There are \$106 of total unrecognized costs related to share-based compensation that are expected to be recognized over a period of up to one year. (Note 13(A)(2)).

(4) The total share-based compensation expense related to all of the Company's equity-based awards, recognized for the years ended December 31, 2023, and 2022 is comprised as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Research and development expenses	\$ 122	\$ 95
General and administrative expenses	517	138
Total share-based compensation	<u>\$ 639</u>	<u>\$ 233</u>

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 14 – RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2023	Year ended December 31, 2022
Subcontractors ⁽¹⁾	\$ 462	\$ 461
Salary and related expenses	721	623
Share-based compensation	122	95
Patents expenses	104	111
Laboratory materials	114	82
Depreciation	12	1
Other	6	18
Total	\$ 1,541	\$ 1,391

(1) The subcontractor's expenses amounted to \$462 and \$461 as of December 31, 2023, and 2022, respectively, which include sponsored research services by TRDF of \$309, consulting services of \$117, rental equipment of \$30, and other expenses of \$6.

NOTE 15 – GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2023	Year ended December 31, 2022
Salary and related expenses ⁽¹⁾	\$ 592	\$ 668
Share-based compensation	515	138
Professional services ⁽²⁾	650	3,050
Legal fees	150	143
Insurance expenses	73	54
Amortization of right-of-use assets	21	14
Other	115	83
Total	\$ 2,116	\$ 4,150

(1) Salary and related expenses include a deferred bonus of \$150 in total, for executive officers associated with successful RTO completion, since June 2022.

(2) Professional services expenses amounted to \$3,050 as of December 31, 2022, of which \$1,795 was paid in shares to consultants associated with the RTO and \$1,255 paid in cash, mainly for consulting services, audit and accounting associated with the RTO.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 16 – LISTING EXPENSES:

Completion of the RTO with EnerSpar

On June 15, 2022, the Company 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.

On June 20, 2022, the final acceptance of the RTO was effected pursuant to the terms of a securities exchange agreement dated January 3, 2022, as amended on April 12, 2022. Pursuant to the securities exchange agreement, the Company acquired each ordinary share of NurExone Ltd in exchange for 17 post-consolidation Common Shares.

For accounting purposes, NurExone Ltd is considered the accounting acquirer, and EnerSpar is considered the acquired company. Since EnerSpar 's operations do not constitute a business, the acquisition of EnerSpar is not a business combination pursuant to IFRS 3, and the transaction is accounted for as a reverse takeover of the publicly traded company. A reverse takeover transaction involving a non-public operating company and a non-operating public company is in substance a share-based payment transaction, rather than a business combination.

The reverse takeover was accounted for under IFRS 2 Share-based Payments. Accordingly, the acquisition of EnerSpar was accounted for at the fair value of the consideration transferred by the accounting acquirer, which is the fair value of the equity instruments NurExone would have had to issue to the owners of EnerSpar to effect the transaction. The difference between the net liabilities acquired and the fair value of the consideration granted was accounted for as a listing expense. The transaction is equivalent to the issuance of shares by the non-public operating company, NurExone Ltd, for the net assets and the listing status of the non-operating public company, EnerSpar.

Current shareholders of the Company acquired 2,536,000 post-consolidation common shares of EnerSpar at a deemed value of CAD\$0.80 per share, representing 6% of the common shares of EnerSpar (undiluted) as constituted upon completion of the transaction and the private placement. The transaction was accounted for as a reverse takeover.

Listing expenses are as follows:

	Year ended December 31, 2022
Fair value of consideration of 2,536,000 EnerSpar Shares at CAD\$0.80	\$ 1,605
Net liabilities of EnerSpar	242
	1,847
Indirect issuance costs	231
Listing expenses	\$ 2,078

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

NOTE 17 – FINANCE (INCOME) EXPENSES, NET:

	Year ended December 31, 2023	Year ended December 31, 2022
	<hr/>	<hr/>
Revaluation of financial derivatives	\$ -	\$ 280
Currency exchange expenses	2	28
Convertible notes interest	-	33
Revaluation of warrants liability	-	158
Lease liability interest	3	-
Revaluation of a royalty liability	22	66
Bank fees and credit card	(45)	(15)
	<hr/>	<hr/>
Total	\$ (18)	\$ 550
	<hr/>	<hr/>

NOTE 18 – TAXES ON INCOME:

A. Tax rate applicable to income in Canada

For the Canadian Company (“NurExone Inc”), the Canadian statutory income tax rate of 26.5% for both 2023 and 2022 is comprised of the Federal and provincial income tax rates of 15% and 11.5%, respectively, for both years.

B. Tax rate applicable to income in Israel

The Israeli corporate tax rate is 23%.

The Israeli Company, NurExone Ltd, has not received a final tax assessment since its inception.

C. Net operating losses carry-forwards

As of December 31, 2023, NurExone Inc has accumulated non-capital losses of \$1,429, which will expire from 2031 to 2041.

As of December 31, 2023, NurExone Ltd has accumulated non-capital losses of \$7,351, which may be deducted in the calculation of taxable income in future years.

D. Reconciliation of statutory rate income tax to the Company’s effective tax rate

The Company’s income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 18 – TAXES ON INCOME (CONT.):

D. Reconciliation of statutory rate income tax to the Company's effective tax rate (cont.)

A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Loss before income tax	\$ (3,611)	\$ (8,237)
Theoretical tax at applicable statutory tax rate (26.5%)	957	2,183
Different tax rates applied in overseas jurisdictions (3.5%)	(126)	(288)
Deferred tax that cannot be recognized due to uncertainty	(831)	(1,895)
Income tax expenses	\$ -	\$ -

NOTE 19 – RELATED PARTIES:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. The Company has transactions with key management personnel and directors.

A. Key management personnel compensation

Key management personnel compensation and director's fees comprised the following:

<u>Expenses</u>	Year ended December 31, 2023	Year ended December 31, 2022
Key management personnel - Salary and related expenses	\$ 497	\$ 583
Key management personnel - Share-based compensation	359	81
Director's fees - Service provider expenses	26	11
Director's fees - Share-based compensation	4	13
Total	\$ 886	\$ 688

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 19 – RELATED PARTIES (CONT.):

A. Key management personnel compensation (cont.)

<u>Balances</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Balances owing to the CEO	\$ 71	\$ 80
Balances owing to the CFO	71	80
Balances owing to the VP of Strategic Development	56	56
Balances owing to directors	<u>9</u>	<u>29</u>
Total	<u>\$ 207</u>	<u>\$ 245</u>

B. Issuance of Common Shares to Directors

A total of 117,033 Common Shares were issued on August 25, 2022, as a debt settlement, which debt amounted to CAD\$94 owed to a director of the Company that was a creditor of EnerSpar, at a share price of CAD\$0.80.

C. Related Party

The company engages in transactions and maintains financial balances with TRDF, a pivotal vendor and primary shareholder. As of December 31, 2023, TRDF holds 3,927,000 Common Shares, constituting 5.9% on a fully diluted Common Shares and Warrants basis.

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

<u>Assets related to related party transactions</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables	\$ -	\$ 65
	<u> </u>	<u> </u>
<u>Liabilities related to related party transactions</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other account payables	\$ 52	\$ -
	<u> </u>	<u> </u>
<u>Expenses</u>	<u>Twelve months period ended December 31, 2023</u>	<u>Twelve months period ended December 31, 2022</u>
Transactions	\$ 309	\$ 336
	<u> </u>	<u> </u>

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 20 – COMMITMENT AND CONTINGENT LIABILITIES:

(1) License Agreement:

In June 2020, the Company signed an exclusive worldwide license agreement with TRDF and Ramot at Tel Aviv University Ltd ("**Ramot**"), the licensors of the technology, to take responsibility for the development, clinical studies, and commercialization of the technology as a licensor and/or sub-licenser. The technology comprises provisional patents, owned by TRDF and Ramot for the use of certain intellectual property relating to the Exosomes initiative. The license term is on a Product-by-Product and a country-by-country basis until the later of 15 years following the first commercial sale of a product in such country or the date of expiry of the last of the licensed patents in such country.

In consideration for the exclusive worldwide license agreement:

- a) Shares issuance - the Company issued 1,683,000 common shares to Ramot and 3,927,000 warrants to purchase shares to TRDF at an exercise price of CAD\$0.005 for common shares, which were fully exercised in February 2021, for a total amount of \$16.
- b) License fee - the Company paid a one-time license fee of \$40 to TRDF.
- c) Royalty payments - the Company shall pay TRDF the following payments:
 1. 4.25% on net sales of products sold by the Company or its affiliates; and
 2. 50% of the amounts received by the Company or its affiliates on account of sales of products by sublicensees, but in any case, not less than 2% nor exceed 4.25% of the net sales of the sublicensee.
- d) The Company shall also pay sublicense fees at the rate of 16%.
- e) A minimum royalty payment of \$20 payable as of the 3rd anniversary in 2023, which shall increase by 30% year over year in 2024, 2025, and 2026, to a maximum amount of \$50 in 2027 and further.

The Company's aggregate contingent obligations for payments to TRDF, based on the license term for a minimum royalty payment, as of and for the year ended December 31, 2023, and 2022., amounted to a fair value of :

	Year ended December 31, 2023	Year ended December 31, 2022
Current – other payables	\$ 26	\$ *20
Non-Current – royalty payments	71	*75
Total	\$ 97	\$ 95

* Reclassified

The fair value of the royalty payment was calculated using the discounted cash flow method, using a discount rate of 50%, which reflects the Company's early stage of development, and over a discount period of 18 years, the duration of the intellectual property patents protection.

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

NOTE 20 – COMMITMENT AND CONTINGENT LIABILITIES (CONT.):

(2) Collaboration Agreements:

- (i) On July 11, 2022, NurExone Ltd signed a collaboration agreement with Polyrizon Ltd. (“**Polyrizon**”) for intranasal administration of exosome therapy. Pursuant to the agreement, NurExone Ltd shall pay approximately \$215 in 3 equal installments. As of December 31, 2022, NurExone Ltd has completed the initial tests required prior to reaching the first milestone and had made the first payment out of three installments, a total of \$85 towards this endeavor. Subsequently, the decision was made to halt the project. NurExone Ltd shall also pay \$3,350, upon completion of development milestones.

Moreover, NurExone Ltd shall pay royalties to Polyrizon from revenue as follows:

1. For an income of \$50-\$2,500, the Company shall pay a royalty payment of 2.25% of net income.
2. For an income of \$2,500-\$10,000, the Company shall pay a royalty payment of 2.75% of net income.
3. For an income of \$10,000 and above, the Company shall pay a royalty payment of 3.25% of net income.
4. For an income through a sublicense, the Company shall pay a royalty payment equal to 35% of net income relating to such a sublicense.

Further to the completion of the first milestone and as of December 31, 2023, NurExone Ltd decided to halt the project until further notice.

If NurExone Ltd decides to proceed with the collaboration and completion of the product's development milestones, both parties will mutually agree on further steps.

- (ii) On November 30, 2023, the Company signed a collaboration agreement with Canada-based company, Inteligex Inc. (“**Inteligex**”). The collaboration aims to develop an enhanced therapeutic strategy for the treatment of traumatic SCI, especially in the most challenging sub-population of sub-chronic and chronic patients which was submitted and approved by the IIA under the Israel-Canada bilateral Eureka program as a new collaboration (Note 20(3)). Furthermore, the Agreement regulates the technological collaboration of the companies working within the CNS disease space and SCI. Inteligex has extensive experience in SCI and human stem cell therapy, whilst NurExone brings extensive technology and insights into exosome biology, production, and intranasal administration of the therapy. Both companies hold extensive IP portfolios that directly relate to this collaborative proposal.

The parties expect to initiate the collaborative partnership starting January 2024 over the following 24-month period. Each party will be responsible for their budget funds to support the project based on the agreed work plan. The Company and Inteligex shall establish a project leader to manage the collaboration. Following the completion of the collaboration and based on the project results, the parties shall decide on the continuation of the partnership.

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

NOTE 20 – COMMITMENT AND CONTINGENT LIABILITIES (CONT.):

(3) Government Grants

On September 21, 2023, the Company was granted \$271 (NIS 980) by the IIA under the Israel-Canada bilateral Eureka program. This grant is designated for a collaborative initiative with Canada-based company, Inteligex, aimed at developing an innovative hybrid therapy specifically designed for the complex chronic spinal cord injury market. (Note 20(2)(v)). The awarded grant, totaling \$678 (NIS 2,450), will cover the expenses of the first year, spanning from January to December 2024. The collaborative partnership with Inteligex is set for two years with an overall budget of \$1,830 (EUR 1,690). However, the budget for the second year will be requested at a later stage, after the completion of the initial year.

The Company has received an advance income from a governmental grant (IIA) of \$95 (NIS 343) through December 31, 2023, as a royalty-bearing grant.

The Company is obligated to pay royalties to the Government of Israel through the IIA at the rate of 3% on sales proceeds from products developed through the grants received from the IIA.

The total grant amount accrues interest, as follows: until October 25, 2023, the interest was calculated at a rate based on 12-month LIBOR applicable to US Dollar deposits. However, on October 25, 2023, the IIA published a directive concerning changes in royalties to address the expiration of the LIBOR. Under such directive, regarding IIA grants approved by the IIA prior to January 1, 2024, but which are outstanding thereafter, as of January 1, 2024, the annual interest is calculated at a rate based on 12-month SOFR, or at an alternative rate published by the Bank of Israel plus 0.71513%; and, for grants approved on or following January 1, 2024, the annual interest shall be the higher of (i) the 12 months SOFR interest rate, plus 1%, or (ii) a fixed annual interest rate of 4%.

The obligation to pay these royalties is contingent on actual sales of the products and in the absence of such sales, no payment is required.

- (4) On August 17, 2023, the Company engaged Stockhouse Publishing Ltd. (“**Stockhouse**“) to provide investor awareness and digital media communication services to the Company. The Company has paid Stockhouse an upfront cash payment of \$81 (CAD\$110 plus 5% GST) and \$7 (CAD\$10 plus 5% GST) for its services over twelve months, until July 2024.
- (5) On September 7, 2023, the Company engaged 9456015 Canada Ltd. (“**Canada Ltd**“) to provide Strategic Planning and Market Analysis, Financial Management and Capital Strategy, and Business Development and Partnering. Under the terms of the agreement, Canada Ltd will be paid an aggregate cash amount of \$223 (CAD\$300 plus 13% HST) for six months, until February 2024.
- (6) On October 19, 2023, the Company appointed Professor Teo Forcht Dagi, a renowned neurosurgeon, life science venture capitalist, and professor at the Mayo Clinic Alix School of Medicine as well as at Queen’s University Belfast, to its esteemed Scientific Advisory Board and Advisory Committee, for 24-months period, at a monthly fee of \$0.75 (CAD\$1) and a total of 130,000 Common Share purchase options at an exercise price of CAD\$0.32. The options will vest over a period of two years. (Note 13(A)4).

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 21 – LOSS PER SHARE:

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share amounts is calculated by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential of warrants and options into common shares if the warrants and/or options are exercisable at prices less than the then market price.

During the years ended December 31, 2023, and 2022, shares issuable on exercise of all the outstanding stock options were not included in the computation of diluted loss per share as the effect would have been anti-dilutive owing to the loss incurred.

Details of the number of shares and loss used in the computation of net loss per share:

	Year ended December 31, 2023	Year ended December 31, 2022
Loss for the year attributed to shareholders	\$ 3,639	\$ 8,169
Weighted average number of ordinary shares	44,722,288	37,733,703
Basic and diluted loss per share	\$ 0.081	\$ 0.216

NOTE 22 - FINANCIAL RISK FACTORS:

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(1) Credit risk:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash. 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.

(2) Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due by raising sufficient funds. As of December 31, 2023, the Company had \$74 current assets that exceeded its current liabilities (December 31, 2022 - \$2,089), and the Company has little exposure to liquidity risk, as it will balance expenditures with available working capital and its available funds are held in appropriately liquid instruments in extremely credit-worthy financial institutions.

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

NOTE 22 - FINANCIAL RISK FACTORS (CONT.):

(2) Liquidity risk (cont.):

The Company is in the research and development stage and has incurred losses with no expectation for any revenue in the further period and expects to continue to finance itself by raising adequate funds in the foreseeable future.

Management believes the Company may not have sufficient funds to cover planned operations throughout the next twelve months. However, management may secure additional financing through the issue of new equity and/or debt. 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.

(3) 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.

(4) Foreign currency risk:

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The functional currency of the Company is the Canadian dollar, and the functional currency of the subsidiary, NurExone Ltd is the New Israeli Shekel. The Company does not currently enter into forwarding contracts to mitigate this risk. The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates.

As of December 31, 2023, a 5% increase/decrease in the NIS currency impacted by CAD, USD, EUR currency rates would decrease/increase the net loss by \$3, \$1, \$1, respectively. (2022 - \$9, \$8, and \$0, respectively).

(5) Fair value:

The carrying values of other receivables approximate their fair values due to their short terms to maturity. The cash is valued using quoted market prices in active markets.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 23 - SUBSEQUENT EVENTS:

- (1) On January 5, 2024, the Company announced that it has closed a non-brokered private placement (the “**2024 Private Placement**”). An aggregate of 7,091,993 units of the Company (each a “**2024 Unit**”) were issued and sold under the Private Placement at a price of CAD\$0.28 per 2024 Unit for aggregate proceeds of \$1,501 (CAD\$1,986). Each 2024 Unit consisted of (i) one Common Share, and (ii) one Common Share purchase warrant (each, a “**2024 Warrant**”). Each 2024 Warrant entitles the holder thereof to purchase one Common Share at a price of CAD\$0.35 per Common Share for a period of 36 months from the closing of the 2024 Private Placement.
The Warrants are subject to accelerated expiration whereby 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 CAD\$0.80, the Company may, upon providing written notice to the holders of the 2024 Warrants (the “**2024 Acceleration Notice**”), accelerate the expiry date of the 2024 Warrants to a date not less than 30 days following the date of the 2024 Acceleration Notice. If the 2024 Warrants are not exercised by the applicable accelerated expiry date, the 2024 Warrants will expire and be of no further force or effect. All securities issued under the 2024 Private Placement are subject to a statutory hold period of four months and one day from the closing of the 2024 Private Placement.
- (2) On January 7, 2024, NurExone Ltd entered into a construction agreement with Biopharmax Group Ltd (“**Biopharmax**”) for building a laboratory and offices on premises located at the Technion City, Haifa, Israel (the “**Project**”), following entering to a laboratories and offices lease agreement with the Israel Institute of Technology. (Note 23(6)). NurExone Ltd shall pay Biopharmax a total amount of \$328 (NIS 1,200 plus VAT) (the “**Budget**”), which shall include all Biopharmax’s expenses including salaries, wages and social benefits, tools, the supply of materials or equipment, storage, or any other expenses incurred in conducting the project, all as detailed in the project scope. Payments will be made in accordance with the payment schedule outlined in the construction agreement upon the completion of each phase of the project. The project is estimated to be completed within a 12-week period, commencing the initiation effective date, March 1, 2024.
- (3) On January 16, 2024, NurExone Ltd amended the lab services agreement with TRDF, from January 1, 2024, until March 31, 2024, for a total payment of \$20 plus 17% VAT.
- (4) On January 17, 2024, the Company announced on entering into an Advertising Agreement with BullVestor Medien GmbH (“**BullVestor**”) and its general manager Helmut Pollinger, both arm's-length parties to the Company, commencing on January 15, 2024, and until May 15, 2024. The services will include the creation of content, strategic planning, digital advertisement placement, and overseeing progress and results of digital campaigns. The advertising and communications will occur in German-speaking countries (Germany, Austria and Switzerland). In consideration of providing the services, the Company has budgeted a total of \$224 (CAD\$300) and advanced the payment in full.

NUREXONE BIOLOGIC INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(U.S. Dollars in thousands)

NOTE 23 - SUBSEQUENT EVENTS (CONT.):

- (5) On February 6, 2024, the Company executed several ad-hoc service agreements pertaining to its anticipated Over-The-Counter ("**OTC**") Markets listing, outlined as follows: (i) Engagement with Nauth LPC for U.S. Corporate and Securities law advice related to the Company's OTC Markets listing and Depository Trust Company ("**DTC**") common shares eligibility, incurring a total fee of \$10 (CAD\$13 plus HST of 13%); (ii) Engagement with Globex Transfer, LLC for DTC Advisory services, incurring a total fee of \$13.5; and (iii) Engagement with Glenridge Partners LLC to assist in providing the necessary information for Form 15c-211, incurring a total fee of \$7.5.
- (6) On March 1, 2024, NurExone Ltd entered into a laboratories and offices lease agreement ("**Lease Agreement**") with the Technion – Israel Institute of Technology (the "**Technion**"). TRDF, a subsidiary of Technion, serves as a unique gateway to access the cutting-edge scientific and technological knowledge and capabilities of Technion. (Note 19(C)). The lease agreement pertains to premises spanning 195 square meters located at minus 1 entry, 0 floor of Building B, Gutwirth Industrial Park, Technion City, Haifa, Israel. Pursuant to the Lease Agreement, the lease period extends for a term of four years and ten months, until December 31, 2028, with an option to extend the term period by an additional period of five years. The consideration for the lease agreement is: (i) monthly payment of \$0.1 (NIS 0.3 plus VAT) for the initial 42-month period. (ii) \$3 (NIS 9 plus VAT, linked to the monthly Israeli Consumer Price Index), starting from the 43rd month and continuing until the end of the lease period. Furthermore, the Company will secure to the Technion an initial deposit payment of US\$14 (NIS 50), which will be refunded upon the successful completion of the lease period.
- (7) On March 22, 2024, the Company completed the acceleration of 12,682,340 share purchase warrants issued pursuant to a private placement of units that closed on June 15, 2022. Following the Acceleration Event, 9,684,993 Warrants were exercised at the cash exercise price of CAD\$0.38, for gross proceeds of \$2,723 (CAD\$3,680), while the remaining 2,997,347 Warrants were expired unexercised. (Note 12(A)(5)).

Furthermore, following the private placement of units that concluded on September 6, 2023, (Note 1(D)), 556,818 Class A Warrant were exercised at the cash exercise prices of CAD\$0.34 for gross proceeds of \$140 (CAD\$190), and 181,818 Class B Warrant were exercised at the cash exercise prices of CAD\$0.48 for gross proceeds of \$65 (CAD\$87).