

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 28, 2024.

NUREXONE BIOLOGIC INC.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF MARCH 31, 2024

UNAUDITED

NUREXONE BIOLOGIC INC.

TABLE OF CONTENTS

| | <u>Page</u> |
|--|--------------------|
| Unaudited condensed interim consolidated statements of financial position | 2-3 |
| Unaudited condensed interim consolidated statements of comprehensive loss | 4 |
| Unaudited condensed interim consolidated statements of changes in shareholders' equity | 5-6 |
| Unaudited condensed interim consolidated statements of cash flows | 7-8 |
| Notes to the unaudited condensed interim consolidated financial statements | 9-17 |

NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION
U.S. dollars in thousands (except share and per share data)

| | March 31, 2024 | December 31, 2023 |
|---|---------------------------|------------------------------|
| | <u>Unaudited</u> | <u></u> |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 3,255 | \$ 541 |
| Restricted cash associated with private placement | - | 1,197 |
| Restricted deposit | 32 | 32 |
| Other receivables | 390 | 212 |
| | <u>3,677</u> | <u>1,982</u> |
| <u>Total current assets</u> | <u>3,677</u> | <u>1,982</u> |
| NON-CURRENT ASSETS: | | |
| Property, plant and equipment, net | 394 | 158 |
| Right-of-use assets | 71 | 30 |
| | <u>465</u> | <u>188</u> |
| <u>Total non-current assets</u> | <u>465</u> | <u>188</u> |
| <u>Total assets</u> | <u>\$ 4,142</u> | <u>\$ 2,170</u> |

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 (except share and per share data)

| | March 31, 2024 | December 31, 2023 |
|---|---------------------------|------------------------------|
| | Unaudited | |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Other payables | \$ 102 | \$ 317 |
| Financial liability associated with private placement | - | 1,197 |
| Employees and payroll accruals | 231 | 299 |
| Advance income from governmental grants (IIA) | 29 | 95 |
| | 362 | 1,908 |
| NON-CURRENT LIABILITIES: | | |
| Royalty payments | 78 | 71 |
| Liability associated with governmental grants (IIA) | 47 | - |
| Lease liability | 24 | 2 |
| | 149 | 73 |
| EQUITY: | | |
| Share capital | * | * |
| Additional paid-in capital and other reserves | 16,497 | 12,162 |
| Warrants reserve | 1,203 | 1,137 |
| Foreign currency translation reserve | (90) | (45) |
| Share-based payment reserve | 1,000 | 992 |
| Accumulated deficit | (14,979) | (14,057) |
| | 3,631 | 189 |
| Total liabilities and shareholders' equity | \$ 4,142 | \$ 2,170 |

* Represents an amount lower than \$0.5.

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

| | | |
|--|---------------------------------------|---|
| <i>“Yoram Drucker”</i> | <i>“Dr. Lior Shaltiel”</i> | May 28, 2024 |
| Yoram Drucker Chairman of the board | Dr. Lior Shaltiel Director and CEO | Date of approval of the Financial statements |

NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF COMPREHENSIVE LOSS
U.S. dollars in thousands (except share and per share data)

| | Three months ended | |
|---|--------------------|---------------|
| | March 31, | |
| | 2024 | 2023 |
| | Unaudited | Unaudited |
| Research and development expenses, net | \$ 225 | \$ 374 |
| General and administrative expenses | 695 | 345 |
| | 920 | 719 |
| Finance (income) expenses, net | 2 | (14) |
| | 922 | 705 |
| <u>Other comprehensive (income) loss:</u> | | |
| <u>Items that may be reclassified to profit or loss:</u> | | |
| Exchange gain (loss) arising on translation of foreign operations | (16) | 13 |
| <u>Items that will not be reclassified to profit or loss:</u> | | |
| Gain from foreign currency translation adjustments | 61 | 5 |
| | \$ 967 | \$ 723 |
| Net loss per share: | | |
| Basic and diluted loss per share | \$ 0.016 | \$ 0.016 |
| Weighted average number of common shares - basic and diluted | 56,528,121 | 42,855,159 |

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 (except share and per share data)

| | <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, 2024 | <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> |
| <u>Changes during the period:</u> | | | | | | | | |
| Net loss | - | - | - | - | - | - | (922) | (922) |
| Other comprehensive loss | - | - | - | - | - | (45) | - | (45) |
| Total comprehensive loss | - | - | - | - | - | (45) | (922) | (967) |
| Expiry of unexercised warrants (Note 1(D)(7)) | - | - | 192 | - | (192) | - | - | - |
| Share-based compensation | - | - | - | 17 | - | - | - | 17 |
| <u>Issuance of common shares from</u> | | | | | | | | |
| Exercise of options, net cashless (Note 3(B)(1)) | 49,493 | - | 5 | (5) | - | - | - | - |
| Expiry of unexercised options (Note 3(B)(1)) | - | - | 4 | (4) | - | - | - | - |
| Exercise of warrants (Note 1(D)(7)) | 10,423,629 | - | 3,582 | - | (663) | - | - | 2,919 |
| Private Placement, net (Note 1(D)(1)) ** | 7,091,993 | - | 552 | - | 921 | - | - | 1,473 |
| Balance as of March 31, 2024 (unaudited) | <u>65,814,822</u> | <u>\$ -</u> | <u>\$ 16,497</u> | <u>\$ 1,000</u> | <u>\$ 1,203</u> | <u>\$ (90)</u> | <u>\$ (14,979)</u> | <u>\$ 3,631</u> |

* Represents an amount lower than \$0.5.

** Includes issuance expenses of \$14.

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 (except share and per share data)

| | <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 | - | - | - | - | - | - | (705) | (705) |
| Other comprehensive loss | - | - | - | - | - | (18) | - | 18 |
| Total comprehensive loss | - | - | - | - | - | (18) | (705) | (723) |
| Share-based compensation | - | - | 20 | 1 | - | - | - | 21 |
| Balance as of March 31, 2023 (unaudited) | <u>42,855,159</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 CASH FLOWS
U.S. dollars in thousands (except share and per share data)

| | Three months ended | |
|--|---------------------------|------------------|
| | March 31, | |
| | 2024 | 2023 |
| | Unaudited | Unaudited |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (922) | \$ (705) |
| <u>Adjustments to reconcile net loss to net cash used in operating activities:</u> | | |
| Depreciation and amortization | 15 | 6 |
| Share-based compensation | 17 | 1 |
| Revaluation of royalty payments | 7 | (27) |
| <u>Changes in operating assets and liabilities:</u> | | |
| Decrease in employees and payroll accruals | (69) | (11) |
| Increase in other receivables | (185) | (96) |
| Decrease in advance income from governmental grants (IIA) | (19) | - |
| Increase (decrease) in other payables | (309) | 9 |
| Net cash used in operating activities | (1,465) | (823) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment, net | (241) | (52) |
| Net cash used in investing activities | (241) | (52) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of private placement | 566 | - |
| Proceeds from exercise of warrants | 2,919 | - |
| Proceeds from warrants reserve | 921 | - |
| Payment of lease liabilities | (8) | (8) |
| Net cash provided by (used in) financing activities | 4,398 | (8) |

NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands (except share and per share data)

| | Three months ended | |
|---|---------------------------|------------------|
| | March 31, | |
| | 2024 | 2023 |
| | Unaudited | Unaudited |
| Effect of exchange rate changes on cash | 22 | 8 |
| Net (decrease) increase in cash | 2,714 | (875) |
| Cash at the beginning of the period | 541 | 2,463 |
| Cash at the end of the period | \$ 3,255 | \$ 1,588 |

SIGNIFICANT NON-CASH ACTIVITIES:

| | | |
|--|-------|------|
| Issuance expenses | \$ 14 | \$ - |
| Right-of-use asset and lease liability | \$ 52 | \$ - |
| Exercise of options, net cashless | \$ 9 | \$ - |
| Long-term loan associated with governmental grants (IIA) | \$ 47 | \$ - |

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 (except share and per share data)

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 April 25, 2024, the Company received Depository Trust Company (“**DTC**”) eligibility for its shares on the OTCQB under the symbol NRXBF. (Note 5(1)).

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, 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 since its inception, including net loss of \$922 and \$705 for the three months ended March 31, 2024, and 2023, respectively. As of March 31, 2024, the Company had an accumulated deficit of \$14,979, compared to \$14,057 as of December 31, 2023.

Management believes the Company may not have sufficient funds to cover planned operations through 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 (except share and per share data)

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. Significant events during the reporting period

- (1) On January 5, 2024, the Company announced that it had closed a non-brokered private placement (the "**Private Placement**"). An aggregate of 7,091,993 units of the Company (each a "**Unit**") were issued and sold under the Private Placement at a price of CAD\$0.28 per Unit for aggregate proceeds of \$1,487 (CAD\$1,986). Each Unit consisted of (i) one Common Share, and (ii) one Common Share purchase warrant (each, a "**Warrant**"). Each 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 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 Warrants (the "**Acceleration Notice**"), accelerate the expiry date of the Warrants to a date not less than 30 days following the date of the Acceleration Notice. If the Warrants are not exercised by the applicable accelerated expiry date, the Warrants will expire and be of no further force or effect. All securities issued under the Private Placement are subject to a statutory hold period of four months and one day from the closing of the Private Placement.

The Warrants meet the fixed-to-fixed criteria under IAS 32, and as a result, they are classified as warrants equity. The Warrants were accounted for at a fair value of \$921 using the Black-Scholes model with the following key assumptions: risk-free interest rate at 3.83%, expected volatility at 94.29%, expected life (years) at 3.0, and expected dividend yield at 0.

- (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. 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 commenced on March 1, 2024, and is expected to be completed by July 1, 2024.
- (3) On January 16, 2024, NurExone Ltd amended the lab services agreement with Technion Research and Development Foundation Ltd., ("**TRDF**") from January 1, 2024, until March 31, 2024, for a total payment of \$20 plus 17% VAT.

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

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

NOTE 1 – GENERAL (CONT.):

D. Significant events during the reporting period (cont.)

- (4) On January 17, 2024, the Company announced its entry into an Advertising Agreement with BullVestor Medien GmbH (“**BullVestor**”) and its general manager Helmut Pollinger, both arm's-length parties to the Company, to provide digital marketing services 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 the 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.
- (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 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. 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 includes the following: (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.

The lease liability was measured at the present value of the remaining lease payments, considering not to exercise the option, discounted using the Company’s incremental borrowing rate. The weighted-average rate applied was 7.5%. Right-of-use assets were measured at an amount equal to the lease liability which amounted to \$31.

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

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

NOTE 1 – GENERAL (CONT.):

D. Significant events during the reporting period (cont.)

- (7) On March 22, 2024, the Company completed the acceleration of 12,682,340 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 \$2,714 (CAD\$3,680), while the remaining 2,997,347 Warrants were expired unexercised.

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

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 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 International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2023.

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, 2023.

The unaudited condensed interim consolidated financial statements were approved by the Company’s board of directors on May 28, 2024.

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

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

NOTE 3 – SHAREHOLDERS’ EQUITY:

A. Share capital

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

| | Authorized as of | | Issued and outstanding as of | |
|---|-------------------|----------------------|------------------------------|----------------------|
| | March 31, 2024 | December 31, 2023 | March 31, 2024 | December 31, 2023 |
| Consolidated Common Shares without a nominal par value | Unlimited | Unlimited | 65,814,822 | 48,249,707 |

(2) Changes in the number of issued Common Shares during the period, is as follows:

| | Number of Common Shares |
|--|----------------------------|
| Outstanding as of December 31, 2023 | 48,249,707 |
| Issued Common Shares from issuance of private placement (Note 1(D)(1)) | 7,091,993 |
| Issued Common Shares from exercise of warrants (Note 1(D)(7)) | 10,423,629 |
| Issued Common Shares from exercise of options (Note 3(B)(1)) | 49,493 |
| Issued and outstanding as of March 31, 2024 | 65,814,822 |

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

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

NOTE 3 – SHAREHOLDERS’ EQUITY (CONT.):

B. Share Incentive Plan

(1) Share Options movement during the periods:

| | Three months ended March 31, | | | | Year ended December 31, | |
|---|---------------------------------|---|-------------------------|---|----------------------------|---|
| | 2024 | | 2023 | | 2023 | |
| | Unaudited | | Unaudited | | | |
| | Number of options | Weighted average exercise price (CAD\$) | Number of options | Weighted average exercise price (CAD\$) | Number of options | Weighted average exercise price (CAD\$) |
| Outstanding at the beginning of the period | 6,119,524 | 0.32 | 4,058,495 | 0.80 | 4,058,495 | 0.80 |
| Granted during the period | - | - | - | - | 2,722,129 | 0.30 |
| Forfeited during the period | (306,000) | 0.33 | - | - | (276,900) | 0.44 |
| Exercised during the period ⁽¹⁾ | (49,493) | 0.33 | - | - | - | - |
| Expired during the period ⁽¹⁾ | (35,507) | 0.33 | (93,500) | 0.80 | (384,200) | 0.68 |
| Outstanding at the end of the period | 5,728,524 | 0.32 | 3,964,995 | 0.80 | 6,119,524 | 0.32 |
| Exercisable at the end of the period | 4,713,772 | 0.32 | 2,766,495 | 0.80 | 4,455,440 | 0.32 |

(1) On March 18, 2024, a total of 85,000 options were exercised at an exercise price of CAD\$0.33, resulting in the issuance of 49,493 common shares. Additionally, 35,507 options expired unexercised, all facilitated through a ‘cashless exercise’ basis.

As of March 31, 2024, there are \$73 of total unrecognized costs related to share-based compensation that are expected to be recognized over a period of up to two years.

(2) The outstanding Restricted Shares Units (“RSUs”), are as follows:

Following the Board of Directors’ approval, On May 8, 2023, the Company granted incentive awards under the Company's equity incentive plan to certain officers, employees, and directors of the Company, as follows: 1,275,000 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) Share Incentive Plan balance:

As of March 31, 2024, the Company had 660,911 Common Shares available for issuance under its equity incentive plan, which is set with a fixed limit of up to an aggregate of 7,713,928 Common Shares for the exercise or vesting of awards.

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

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

NOTE 3 – SHAREHOLDERS’ EQUITY (CONT.):

B. Share Incentive Plan (cont.)

(4) Share incentive plan expenses:

The total compensation cost related to all of the Company's equity-based awards, recognized during the presented periods was comprised as follows:

| | Three months ended March 31, | | Year ended December 31, |
|---|---------------------------------|--------------|----------------------------|
| | 2024 | 2023 | 2023 |
| | Unaudited | Unaudited | |
| Research and development expenses, net ⁽¹⁾ | \$ (67) | \$ 9 | \$ 122 |
| General and administrative expenses | 84 | 11 | 517 |
| Total share-based compensation | \$ 17 | \$ 20 | \$ 639 |

(1) Q1-24 includes a decrease of \$90 in share-based compensation due to forfeited stock options.

C. Common Share purchase warrants

Warrants movement during the periods:

The following table reconciles the movement in Warrants outstanding at the beginning and end of the periods:

| | Three months ended March 31, | | Year ended December 31, | | | |
|---|---------------------------------|---|----------------------------|---|-----------------------|---|
| | 2024 | 2023 | 2023 | | | |
| | Unaudited | Unaudited | | | | |
| | Number of Warrants | Weighted average exercise price (CAD\$) | Number of Warrants | Weighted average exercise price (CAD\$) | Number of Warrants | Weighted average exercise price (CAD\$) |
| Outstanding at the beginning of the period | 18,076,888 | 0.39 | 15,223,806 | 1.20 | 15,223,806 | 1.20 |
| Issued during the period | 7,091,993 | 0.35 | - | - | 5,394,548 | 0.41 |
| Exercised during the period | (556,818) | 0.34 | - | - | - | - |
| Exercised during the period | (9,684,993) | 0.38 | - | - | - | - |
| Exercised during the period | (181,818) | 0.48 | - | - | - | - |
| Expired during the period | (2,997,347) | 0.38 | - | - | (2,541,466) | 1.20 |
| Outstanding at the end of the period | 11,747,905 | 0.38 | 15,223,806 | 1.20 | 18,076,888 | 0.39 |

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

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

NOTE 4 – RELATED PARTIES:

Related Party

The Company engages in transactions and maintains financial balances with the Technion and TRDF, a subsidiary of the Technion and a pivotal vendor and primary shareholder.

As of March 31, 2024, TRDF holds 3,927,000 Common Shares, constituting 5.1% on a fully diluted basis considering both Common Shares and Warrants.

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

| <u>Assets related to related party transactions</u> | March 31, 2024 | December 31, 2023 |
|--|---|------------------------------|
| | Unaudited | |
| Restricted deposit for lease agreement (Note 1(D)(6)) | \$ 14 | \$ - |
| | | |
| <u>Liabilities related to related party transactions</u> | March 31, 2024 | December 31, 2023 |
| | Unaudited | |
| Other account payables | \$ - | \$ 52 |
| | | |
| <u>Expenses</u> | Three months ended March 31, | |
| | 2024 | 2023 |
| | Unaudited | Unaudited |
| Transactions | \$ 22 | \$ 159 |
| | | |

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

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

NOTE 5 - SUBSEQUENT EVENTS:

- (1) On April 1, 2024, NurExone Ltd entered into a Contract Research Organization (“CRO”) services agreement with Vivox Ltd. (“Vivox”). Vivox will provide CRO services to NurExone, as a prerequisite to commencing Human Trials under the planned Investigational New Drug. The scope of the services to be provided includes the carrying out of experiments by Vivox on a total of 100 rats, divided into 5 different experiments, over a period of up to fifteen months. The total amount for these services is \$131 (NIS 481 plus VAT), with a 50% upfront payment required. The remaining amount shall be paid in four installments over the service period.
- (2) On April 25, 2024, the Company received DTC eligibility for its shares on the OTCQB under the symbol NRXBF. DTC eligibility expands the Company's stock reach to a wider audience of potential investors and brokerage firms that mandate additional compliance measures, thereby enhancing accessibility and potentially boosting liquidity through online transactions.