

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.

August 27, 2024.

NUREXONE BIOLOGIC INC.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF JUNE 30, 2024

UNAUDITED

NUREXONE BIOLOGIC INC.

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

	June 30, 2024	December 31, 2023
	<u>Unaudited</u>	<u></u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,385	\$ 541
Restricted cash associated with private placement	-	1,197
Restricted deposit	41	32
Other receivables	358	212
	<u>2,784</u>	<u>1,982</u>
<u>Total current assets</u>	2,784	1,982
NON-CURRENT ASSETS:		
Property, plant and equipment, net	445	158
Right-of-use assets	63	30
	<u>508</u>	<u>188</u>
<u>Total non-current assets</u>	508	188
<u>Total assets</u>	\$ 3,292	\$ 2,170

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)

	June 30, 2024	December 31, 2023
	Unaudited	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Other payables	\$ 371	\$ 317
Financial liability associated with private placement	-	1,197
Employees and payroll accruals	173	299
Advance income from governmental grants (IIA)	2	95
	546	1,908
NON-CURRENT LIABILITIES:		
Royalty payments	64	71
Liability associated with governmental grants (IIA)	82	-
Lease liability	25	2
	171	73
EQUITY:		
Share capital	*	*
Additional paid-in capital and other reserves	16,828	12,162
Warrants reserve	1,197	1,137
Foreign currency translation reserve	(141)	(45)
Share-based payment reserve	995	992
Accumulated deficit	(16,304)	(14,057)
	2,575	189
<u>Total liabilities and shareholders' equity</u>	\$ 3,292	\$ 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>	August 27, 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)

	Six months ended		Three months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	Unaudited		Unaudited	
Research and development expenses, net	\$ 733	\$ 831	\$ 508	\$ 457
General and administrative expenses	1,507	948	812	603
Operating loss	2,240	1,779	1,320	1,060
Financial expenses	28	2	21	6
Financial income	(21)	(36)	(16)	(26)
Net loss	2,247	1,745	1,325	1,040
<u>Other comprehensive (income) loss:</u>				
<u>Items that may be reclassified to profit or loss:</u>				
Exchange loss arising on translation of foreign operations	26	62	42	48
<u>Items that will not be reclassified to profit or loss:</u>				
Loss (gain) from foreign currency translation adjustments	70	(51)	9	(55)
Total comprehensive loss	\$ 2,343	\$ 1,756	\$ 1,376	\$ 1,033
Net loss per share:				
Basic and diluted loss per share	\$ 0.037	\$ 0.041	\$ 0.022	\$ 0.024
Weighted average number of common shares - basic and diluted				
	61,488,044	42,855,159	61,488,044	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	-	-	-	-	-	-	(2,247)	(2,247)
Other comprehensive loss	-	-	-	-	-	(96)	-	(96)
Total comprehensive loss	-	-	-	-	-	(96)	(2,247)	(2,343)
Expiry of unexercised warrants (Note 4(C))	-	-	192	-	(192)	-	-	-
Expiry of unexercised options (Note 4(B)(3))	-	-	7	(7)	-	-	-	-
Share-based compensation	-	-	-	324	-	-	-	324
<u>Issuance of common shares from</u>								
Release of restricted share units (Note 4(B)(4))	1,275,000	-	302	(302)	-	-	-	-
Exercise of options, net cashless (Note 4(B)(3))	65,099	-	8	(8)	-	-	-	-
Exercise of options (Note 4(B)(3))	17,000	-	8	(4)	-	-	-	4
Exercise of warrants (Note 4(A)(2))	10,463,629	-	3,599	-	(669)	-	-	2,930
Private Placement, net (Note 4(A)(2)) **	<u>7,091,993</u>	-	<u>550</u>	-	<u>921</u>	-	-	<u>1,471</u>
Balance as of June 30, 2024 (unaudited)	<u>67,162,428</u>	<u>\$ -</u>	<u>\$ 16,828</u>	<u>\$ 995</u>	<u>\$ 1,197</u>	<u>\$ (141)</u>	<u>\$ (16,304)</u>	<u>\$ 2,575</u>

* Represents an amount lower than \$0.5.

** Includes issuance expenses of \$16.

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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	-	-	-	-	-	-	(1,745)	(1,745)
Other comprehensive loss	-	-	-	-	-	(11)	-	(11)
Total comprehensive loss	-	-	-	-	-	(11)	(1,745)	(1,756)
Expiry of unexercised warrants	-	-	9	-	(9)	-	-	-
Expiry of unexercised options	-	-	19	(19)	-	-	-	-
Share-based compensation	-	-	-	350	-	-	-	350
Balance as of June 30, 2023 (unaudited)	<u>42,855,159</u>	<u>\$ -</u>	<u>\$ 11,278</u>	<u>\$ 738</u>	<u>\$ 921</u>	<u>\$ (84)</u>	<u>\$ (12,163)</u>	<u>\$ 690</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)

	Six months ended June 30,	
	2024	2023
	Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,247)	\$ (1,745)
<u>Adjustments to reconcile net loss to net cash (used in) provided by operating activities:</u>		
Depreciation and amortization	28	12
Share-based compensation	324	350
Revaluation of royalty payments	20	-
<u>Changes in operating assets and liabilities:</u>		
Decrease in employees and payroll accruals	(116)	(26)
Decrease (increase) in other receivables	(188)	35
Decrease in advance income from governmental grants	(50)	-
Decrease in other payables	(106)	(145)
Net cash used in operating activities	(2,335)	(1,519)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted deposit	(10)	-
Purchase of property, plant and equipment, net	(302)	(54)
Net cash used in investing activities	(312)	(54)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of private placement	566	-
Proceeds from exercise of warrants	2,930	-
Proceeds from exercise of options	4	-
Proceeds to warrants reserve	921	-
Receipt of grants from the IIA	36	-
Payment of lease liabilities	(15)	(9)
Net cash (used in) provided by financing activities	4,442	(9)

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

	Six months ended June 30,	
	2024	2023
	Unaudited	
Exchange differences on balances of cash and cash equivalents	49	(1)
Net (decrease) increase in cash and cash equivalents	1,844	(1,583)
Cash and cash equivalents at beginning of period	541	2,463
Cash and cash equivalents at end of period	\$ 2,385	\$ 880

SIGNIFICANT NON-CASH ACTIVITIES:

Issuance expenses	\$ 16	\$ -
Right-of-use asset and lease liability	\$ 52	\$ -
Exercise of options, net cashless	\$ 15	\$ -

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 1 Adelaide St. East, Suite 801, Toronto, Ontario, M5C 2V9, Canada. The Company 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 Company was incorporated in Alberta in 2011 and is traded on the Toronto Stock Exchange Venture Exchange (the “**Exchange**” or “**TSXV**”) 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's common stock was quoted on the Pink Sheets platform operated by OTC Markets Group Inc. (“**OTC**”) and received Depository Trust Company (“**DTC**”) eligibility under the symbol “**NRXBF**”. On May 6, 2024, the Company's common stock was approved for uplisting from the OTC Pink Sheets to the OTCQB Venture Market (“**OTCQB**”), retaining the symbol “**NRXBF**”.

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 \$2,247 and \$1,745 for the six months ended June 30, 2024, and 2023, respectively.

As of June 30, 2024, the Company had an accumulated deficit of \$16,304, 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.

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 company is continuing with its operations in Israel and the state of war had no substantial impact on its operations or business results. . However, if the war extends for a long period of time or expands to other fronts, such as Lebanon, Syria and the West Bank, our operations including capital raise may be harmed.

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

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

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 August 27, 2024.

New standards, interpretations and amendments not yet effective

In April 2024, the IASB issued IFRS 18 “Presentation and Disclosure in Financial Statements” replacing IAS 1 to improve the usefulness of information presented and disclosed in financial statements. IFRS 18 introduces three sets of new requirements. The standard defines categories for income and expenses, such as operating, investing and financing, and requires entities to provide new defined subtotals, including operating profit. IFRS 18 also requires entities that define entity-specific measures that are related to the income statement to disclose explanations of those measures. In addition, it sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes and requires entities to provide more transparency about operating expenses. These new requirements are to improve entities’ reporting of financial performance and give investors a better basis for analyzing and comparing entities. The standard carries forward many requirements from IAS 1 unchanged. The standard is effective for annual periods beginning on or after January 1, 2027 with early adoption applicable whereby the Company has decided not to adopt early. The Company is currently evaluating the potential impact that the adoption of the standard will have on its consolidated financial statements.

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 – SIGNIFICANT EVENT DURING THE REPORTING PERIOD:

- (1) On January 4, 2024, the Company 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 in 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 in September 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 VAT.
- (4) On January 15, 2024, the Company entered into an Advertising Agreement with BullVestor Medien GmbH (“**BullVestor**”) and its general manager Helmut Pollinger, both of whom are arm's-length parties to the Company. The agreement is for the provision of digital marketing services from January 15, 2024, and until May 15, 2024. These services include content creation, strategic planning, digital advertisement placement, and oversight of digital campaigns targeting German-speaking countries. The Company agreed to a total of CAD\$300 (inclusive of applicable taxes) and advanced the full payment upfront.

On June 11, 2024, the Company entered into an amending agreement (the “**Amending Agreement**”) with BullVestor, modifying the original agreement dated in January 2024. Under this Amending Agreement, BullVestor will continue to provide investor relations services to the Company from June 15, 2024, until May 15, 2025, at a monthly rate of CAD\$59 (inclusive of applicable taxes).

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 – SIGNIFICANT EVENT DURING THE REPORTING PERIOD (CONT.):

- (5) On February 6, 2024, the Company executed several ad-hoc service agreements pertaining to its anticipated 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 CAD\$13 plus HST; (ii) Engagement with Globex Transfer, LLC for DTC Advisory services, incurring a total fee of \$13.5 (inclusive of applicable taxes); 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 (inclusive of applicable taxes).
- (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 4 years and 10 months, until December 31, 2028, with an option to extend the term period by an additional period of 5 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 has secured to the Technion an initial deposit payment of \$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 \$32, as of June 30, 2024.
- (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).
- (8) On April 1, 2024, NurExone Ltd entered into a Contract Research Organization ("**CRO**") services agreement with Vivox Ltd. ("**Vivox**"), which will provide necessary CRO services before starting human trials for the planned Investigational New Drug. The scope of the services will extend over a period of up to 15 months (the "**Service Period**"). The total cost for these services is \$131 (NIS 481 plus VAT), with a 50% upfront payment required and the remaining amount to be paid in 4 additional installments over the Service Period.
- (9) On May 29, 2024, NurExone Ltd amended the lab services agreement with TRDF from April 1, 2024, until June 30, 2024, for a total payment of \$20 plus 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 4 – SHAREHOLDERS’ EQUITY:

A. Share capital

(1) Authorized and issued and outstanding share capital:

	Authorized as of		Issued and outstanding as of	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Consolidated Common Shares without a nominal par value	Unlimited	Unlimited	67,162,428	48,249,707

(2) Changes in the number of issued Common Shares during the period:

	Number of Common Shares
Outstanding as of December 31, 2023	48,249,707
Issued Common Shares from the issuance of private placement ⁽¹⁾	7,091,993
Issued Common Shares from the exercise of warrants ⁽²⁾	10,423,629
Issued Common Shares from the exercise of options ⁽³⁾	49,493
Issued and outstanding as of March 31, 2024	65,814,822
Issued Common Shares from the exercise of options ⁽⁴⁾	32,606
Issued Common Shares from the release of restricted share units ⁽⁵⁾	1,275,000
Issued Common Shares from the exercise of warrants ⁽⁶⁾	40,000
Issued and outstanding as of June 30, 2024	67,162,428

(1) On January 4, 2024, the Company closed a non-brokered private placement, issuing 7,091,993 Units at CAD\$0.28 per Unit, generating proceeds of \$1,487 (CAD\$1,986). Each Unit comprised one Common Share and one Warrant, enabling the holder to purchase one Common Share at CAD\$0.35 each for 36 months from the placement's close.

(2) On March 22, 2024, the Company accelerated 12,682,340 Warrants from a 2022 private placement, with 9,684,993 exercised at CAD\$0.38 resulting in total gross proceeds of \$2,714 (CAD\$3,680). Additionally, from a 2023 private placement, 556,818 Class A Warrants were exercised at CAD\$0.34, and 181,818 Class B Warrants were exercised at CAD\$0.48, resulting in total gross proceeds of \$205 (CAD\$277).

(3) On March 18, 2024, the Company issued 49,493 Common Shares upon the exercise of options. Note (4)(B)(3).

(4) On April 16, 2024, and June 13, 2024, the Company issued 15,606 and 17,000 Common Shares upon the exercise of options, respectively. Note (4)(B)(3).

(5) On May 17, 2024, the Company issued 1,275,000 Common Shares upon the release of restricted share units. Note (4)(B)(4).

(6) On June 20, 2024, the Company issued 40,000 common share purchase warrants upon the exercise. Note (4)(C).

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
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U.S. dollars in thousands (except share and per share data)

NOTE 4 – SHAREHOLDERS’ EQUITY (CONT.):

B. Share Incentive Plan

- (1) On June 3, 2024, at the annual and special meeting of shareholders, the shareholders approved the following matters: (i) approved an amendment to the Company’s omnibus equity incentive plan (the “**Equity Incentive Plan**”) to increase the number of Common Shares reserved for issuance to participants to 13,166,085, which represented 20% of the issued and outstanding of 65,830,428 Common Shares as of the record date (ii) the election of each of the five nominees proposed by the management as directors of the Company (iii) reappointed Ziv Haft, CPA (Isr.), a BDO member firm, as the Company’s auditor for the ensuing year and authorized the board of directors to fix their compensation, and (iv) authorized a continuance of the Company from the Province of Alberta to the Province of Ontario.

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 (“**Options**”), restricted share awards, and restricted share units (“**RSUs**”).

- (2) On June 3, 2024, the Company granted incentive awards under the Company's Equity Incentive Plan to certain officers, employees, and directors of the Company, as follows:
- (i) an aggregate of 1,815,900 Options, with each Option is exercisable to purchase one Common Share at a price of \$0.51 per Common Share for a period of ten years; 580,000 Options vest in equal quarterly installments over a one-year period and the remaining 1,235,900 Options vest over a two-year period with 50% vesting on the one-year anniversary and the remaining 50% vesting in equal quarterly installments over the second year. The fair value of each option as of the grant date, was CAD\$0.37, determined using the Black-Scholes option pricing model at total stock-based compensation costs of \$497 (CAD\$677).
 - (ii) and an aggregate of 2,000,000 RSUs, determined based on the Company's share value of CAD\$0.51 as of the date of grant, at total stock-based compensation costs of \$749 (CAD\$1,020). Each RSU granted vests on the one-year anniversary and upon such vesting will be settled into a Common Share.

NUREXONE BIOLOGIC INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
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U.S. dollars in thousands (except share and per share data)

NOTE 4 – SHAREHOLDERS’ EQUITY (CONT.):

B. Share Incentive Plan (cont.)

(3) Changes in the number of Options during the period:

	Six months ended		June 30,		Year ended	
	2024		2023		December 31,	
	Unaudited		Unaudited		2023	
	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	1,815,900	0.51	1,578,020	0.28	2,722,129	0.30
Forfeited during the period	(336,000)	0.33	(64,600)	0.80	(276,900)	0.44
Exercised during the period ⁽¹⁾⁽²⁾⁽³⁾	(82,099)	0.33	-	-	-	-
Expired during the period ⁽¹⁾⁽²⁾	(53,901)	0.33	(93,500)	0.80	(384,200)	0.68
Outstanding at the end of the period	<u>7,463,424</u>	<u>0.36</u>	<u>5,478,415</u>	<u>0.53</u>	<u>6,119,524</u>	<u>0.32</u>
Exercisable at the end of the period	<u>4,854,619</u>	<u>0.32</u>	<u>4,023,940</u>	<u>0.67</u>	<u>4,455,440</u>	<u>0.32</u>

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

(2) On April 16, 2024, a total of 34,000 Options were exercised through a ‘cashless exercise’ basis, at an exercise price of CAD\$0.33, resulting in the issuance of 15,606 common shares and 18,394 Options expired unexercised.

(3) On June 13, 2024, a total of 17,000 Options were exercised at an exercise price of CAD\$0.33, triggered by a termination event.

As of June 30, 2024, there are \$347 of total unrecognized costs related to share-based compensation that are expected to be recognized over a period of up to two years.

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NOTE 4 – SHAREHOLDERS’ EQUITY (CONT.):

B. Share Incentive Plan (cont.)

(4) Outstanding RSUs:

	Six months ended June 30,		Year ended December 31,			
	2024	2023	2023			
	Unaudited	Unaudited				
	Number of RSUs	Grant date share price (CAD\$)	Number of RSUs	Grant date share price (CAD\$)	Number of RSUs	Grant date share price (CAD\$)
Unvested at the beginning of the period	1,275,000	0.28	-	-	-	-
Granted during the period ⁽¹⁾	2,000,000	0.51	1,275,000	0.28	1,275,000	0.28
Vested during the period ⁽²⁾	(1,275,000)	0.28	-	-	-	-
Unvested at the end of the period	2,000,000	0.51	1,275,000	0.28	1,275,000	0.28

(1) Note 4(B)(2)(ii).

(2) Issuance of 1,275,000 common shares upon the release of RSUs on May 8, 2024, following the one-year vesting anniversary, to certain officers and directors.

(5) Share Incentive Plan balance:

As of June 30, 2024, the Company had 2,345,562 Common Shares available for issuance under its Equity Incentive Plan, which is set with a fixed limit of up to an aggregate of 13,166,085 Common Shares (Note 4(B)(1)).

(6) 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:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2024	2023	2024	2023	2023
	Unaudited		Unaudited		
Research and development expenses, net	\$ 46	\$ 78	\$ 113	\$ 69	\$ 122
General and administrative expenses	278	271	194	260	517
Total share-based compensation	\$ 324	\$ 349	\$ 307	\$ 329	\$ 639

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NOTE 4 – SHAREHOLDERS’ EQUITY (CONT.):

C. Common Share purchase warrants

Changes in the number of Warrants during the period:

	Six months ended June 30,		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 ⁽¹⁾	7,091,993	0.35	-	-	5,394,548	0.41
Exercised during the period ⁽²⁾	(556,818)	0.34	-	-	-	-
Exercised during the period ⁽²⁾	(9,684,993)	0.38	-	-	-	-
Exercised during the period ⁽²⁾	(181,818)	0.48	-	-	-	-
Exercised during the period ⁽³⁾	(40,000)	0.35	-	-	-	-
Expired during the period ⁽⁴⁾	(2,997,347)	0.38	(1,408,076)	1.20	(2,541,466)	1.20
Outstanding at the end of the period	11,707,905	0.38	13,815,730	1.20	18,076,888	0.39

(1) Resulting from a non-brokered private placement that closed on January 4, 2024. (Note 4(A)(2)).

(2) Resulting from an exercise of warrants on March 22, 2024. (Note 4(A)(2)).

(3) Resulting from an exercise of warrants on June 20, 2024. (Note 4(A)(2)).

(4) Resulting from an expired unexercised warrant on March 22, 2024. (Note 3(7)).

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NOTE 5 – RELATED PARTIES:

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 June 30, 2024, TRDF holds 3,927,000 Common Shares, constituting 5.0% 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>	June 30, 2024	December 31, 2023
	<u>Unaudited</u>	
Restricted deposit for lease agreement (Note 3(6))	\$ 14	\$ -

<u>Liabilities related to related party transactions</u>	June 30, 2024	December 31, 2023
	<u>Unaudited</u>	
Other account payables	\$ 57	\$ 52

<u>Expenses</u>	Six months ended June 30,		Three months ended June 30,	
	2024	2023	2024	2023
	<u>Unaudited</u>		<u>Unaudited</u>	
Transactions	\$ 61	\$ 188	\$ 35	\$ 29

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NOTE 6 - SUBSEQUENT EVENTS:

- (1) In July 2024, the Company issued 309,063 shares of common stock as a result of the exercise of outstanding warrants resulting from a non-brokered private placement that closed on January 4, 2024. These warrants were exercised at a price of CAD\$0.35 per share, resulting in total proceeds of CAD\$108.
- (2) In July 2024, the Company issued 17,971 shares of common stock as a result of the exercise of outstanding stock options. A total of 34,000 options were exercised at a price of CAD\$0.33 per share on a 'cashless exercise' basis, resulting in the issuance of 17,971 common shares and the expiration of 16,029 options unexercised.
- (3) On August 1, 2024, the Company entered into an investor relation services consulting agreement with Allele Capital Partners, LLC ("**Allele Capital**"). Allele Capital is an independently owned capital markets advisory firm based in the United States. The Company will pay \$11 (inclusive of applicable taxes) per month for an initial term of one month and may be extended month-by-month by mutual consent and can be terminated for any reason or no reason with 30 days written notice by either party.