

NUREXONE BIOLOGIC INC.

NOTICE OF NO AUDITOR REVIEW

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

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

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

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

May 27, 2025.



NUREXONE BIOLOGIC INC.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF MARCH 31, 2025
UNAUDITED

NUREXONE BIOLOGIC INC.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	March 31, 2025	December 31, 2024
	<u> </u>	<u> </u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 588	\$ 700
Restricted deposit	41	41
Other receivables	135	293
Prepaid expenses associated with materials	600	600
	<u> </u>	<u> </u>
Total current assets	1,364	1,634
	<u> </u>	<u> </u>
NON-CURRENT ASSETS:		
Property, plant and equipment, net	740	759
Right-of-use assets	36	48
	<u> </u>	<u> </u>
Total non-current assets	776	807
	<u> </u>	<u> </u>
Total assets	<u>\$ 2,140</u>	<u>\$ 2,441</u>

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	March 31, 2025	December 31, 2024
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Other payables	\$ 366	\$ 232
Employees and payroll accruals	187	166
Total current liabilities	553	398
NON-CURRENT LIABILITIES:		
Liability associated with royalty payments	56	78
Lease liability	31	31
Liability due to Israel Innovation Authority (“ IIA ”) grants	184	173
Total non-current liabilities	271	282
CONTINGENT LIABILITIES AND COMMITMENTS		
SHAREHOLDERS' EQUITY:		
Share capital	*	*
Additional paid-in capital and other reserves	20,413	19,466
Foreign currency translation reserve	(218)	(202)
Share-based payment reserve	1,899	1,597
Accumulated deficit	(20,778)	(19,100)
Total shareholders' equity	1,316	1,761
Total liabilities and shareholders' equity	\$ 2,140	\$ 2,441

* Represents an amount less than \$0.5.

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

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	Three-month period ended March 31,	
	<u>2025</u>	<u>2024</u>
Operating expenses:		
Research and development expenses, net	\$ 618	\$ 225
General and administrative expenses	1,082	695
	<u>1,700</u>	<u>920</u>
Operating loss		
Financial expenses	11	8
Financial income	(33)	(6)
	<u>1,678</u>	<u>922</u>
Net loss		
Other comprehensive (gain) loss:		
Items that will be reclassified subsequently to profit or loss:		
Exchange (gain) loss arising on translation of foreign operations	59	(16)
Items that will not be reclassified subsequently to profit or loss:		
Loss (gain) from foreign currency translation adjustments	(43)	61
	<u>\$ 1,694</u>	<u>\$ 967</u>
Total comprehensive loss		
Net loss per share:		
Basic net loss per share	<u>\$ 0.023</u>	<u>\$ 0.016</u>
Weighted average number of common shares:		
Basic and diluted	<u>73,605,050</u>	<u>56,528,121</u>

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Number of shares	Ordinary share capital *	Additional paid-in capital	Share-based payments reserve	Foreign currency translation reserve	Accumulated deficit	Total equity
Balance as of January 1, 2025	71,073,598	\$ -	\$ 19,466	\$ 1,597	\$ (202)	\$ (19,100)	\$ 1,761
Net loss	-	-	-	-	-	(1,678)	(1,678)
Other comprehensive loss	-	-	-	-	(16)	-	(16)
Total comprehensive loss	-	-	-	-	(16)	(1,678)	(1,694)
Expiry of unexercised Options	-	-	34	(34)	-	-	-
Share-based compensation	-	-	-	336	-	-	336
Exercise of warrants	2,534,081	-	603	-	-	-	603
Issuance of common shares in private placement, net of issuance expenses of \$23	856,996	-	310	-	-	-	310
Balance as of March 31, 2025	74,464,675	-	20,413	1,899	(218)	(20,778)	1,316
	Number of shares	Ordinary share capital *	Additional paid-in capital	Share-based payments reserve	Foreign currency translation reserve	Accumulated deficit	Total equity
Balance as of January 1, 2024	48,249,707	\$ -	\$ 13,299	\$ 992	\$ (45)	\$ (14,057)	\$ 189
Net loss	-	-	-	-	-	(922)	(922)
Other comprehensive loss	-	-	-	-	(45)	-	(45)
Total comprehensive loss	-	-	-	-	(45)	(922)	(967)
Expiry of unexercised Options	-	-	4	(4)	-	-	-
Share-based compensation	-	-	-	17	-	-	17
Exercise of Options	49,493	-	5	(5)	-	-	-
Exercise of warrants	10,423,629	-	2,919	-	-	-	2,919
Issuance of common shares in private placements, net of issuance expenses of \$14	7,091,993	-	1,473	-	-	-	1,473
Balance as of March 31, 2024	65,814,822	\$ -	\$ 17,700	1,000	\$ (90)	\$ (14,979)	\$ 3,631

* Represents an amount less than \$0.5.

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three-month period ended March 31,	
	2025	2024
<u>Cash flows from operating activities:</u>		
Net loss	\$ (1,678)	\$ (922)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Depreciation of property, equipment and right-of-use assets	43	15
Share-based compensation	336	17
Interest expenses	6	-
Revaluation of royalty payments liability	(29)	7
	<u>356</u>	<u>39</u>
Changes in operating assets and liabilities:		
Increase (decrease) in employees and payroll accruals	20	(69)
Decrease (increase) in other receivables	161	(185)
Decrease in advance income from IIA grants	-	(19)
Increase (decrease) in other payables	155	(309)
	<u>336</u>	<u>(582)</u>
Net cash used in operating activities	<u>(986)</u>	<u>(1,465)</u>
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	<u>(32)</u>	<u>(241)</u>
Net cash used in investing activities	<u>(32)</u>	<u>(241)</u>

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three-month period ended March 31,	
	2025	2024
<u>Cash flows from financing activities:</u>		
Proceeds from issuance of private placements, net	310	1,487
Proceeds from exercise of warrants	603	2,919
Payment of lease liabilities	(3)	(8)
Net cash provided by financing activities	910	4,398
Exchange differences on balances of cash and cash equivalents	(4)	22
Increase (decrease) in cash and cash equivalents	(112)	2,714
Cash and cash equivalents at beginning of the period	700	541
Cash and cash equivalents at end of the period	<u>\$ 588</u>	<u>\$ 3,255</u>
<u>Significant non-cash transactions:</u>		
Issuance expenses	<u>\$ 23</u>	<u>\$ 14</u>
Right-of-use asset and lease liability	<u>\$ -</u>	<u>\$ 52</u>
Exercise of Options, net cashless	<u>\$ -</u>	<u>\$ 9</u>
Long-term loan associated with IIA grants	<u>\$ -</u>	<u>\$ 47</u>

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

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1:- GENERAL

- a. NurExone Biologic Inc. (formerly EnerSpar Corp.) is a publicly traded company with a registered office located at 1 Adelaide St. East, Suite 801, Toronto, Ontario, M5C 2V9, Canada. The Company was incorporated in Alberta in 2011 and is a Reporting Issuer in Alberta, Ontario, and British Columbia
- b. On June 15, 2022, the Company completed a reverse takeover (“**RTO**”) with NurExone Biologic Ltd., a private company incorporated under the laws of Israel on June 17, 2020, which primarily operates in Israel (“**NurExone Ltd.**”). In connection with the RTO, the Company also completed a 10:1 consolidation.
- c. On April 22, 2025, the Company completed a continuance from the Province of Alberta, governed by the *Business Corporations Act* (Alberta), into the Province of Ontario, governed by the *Business Corporations Act* (Ontario) (the “**Continuance**”).
- d. The Company is listed on the following stock exchanges:
 - Under the symbol - Traded on the TSX Venture Exchange (the “**TSXV**”).
“NRX”
 - Under the symbol - Traded on the Frankfurt Stock Exchange, German Composite,
“J90” Stuttgart Stock Exchange, Munich Stock Exchange, Berlin Stock Exchange, Hamburg Stock Exchange, and Dusseldorf Stock Exchange.
 - Under the symbol - Quoted on the Over-the-Counter Qualified Board Venture Market.
“NRXBF”
- e. The Company is developing a platform for biologically guided exosome-based therapies to be delivered, minimally invasive, to patients who suffer from central nervous system (“**CNS**”) injuries. The Company’s first product, ExoPTEN, is developed for acute spinal cord injury (“**SCI**”). ExoPTEN has been granted “Orphan Drug Designation” by the U.S. Food and Drug Administration (the “**FDA**”) and the European Medicines Agency. The NurExone platform technology is expected to offer novel solutions to drug companies interested in minimally invasive targeted drug delivery for other indications.
- f. Going concern:

The Company is devoting substantially all of its efforts toward research and development activities. In conducting research and development, the Company has sustained operating losses in each year since its inception, including net loss of \$1,678 and \$922 for the three-month period ended March 31, 2025, and 2024, respectively. Such losses are expected to continue for the foreseeable future. As of March 31, 2025, the Company had an accumulated deficit of \$20,778. Management believes that the Company may not have sufficient funds to cover planned operations throughout the next twelve months. The Company may secure additional financing through the issuance of new equity and/or debt; however, there is no assurance that these initiatives will be successful. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. The unaudited condensed interim consolidated financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company were unable to continue as a going concern.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**U.S. dollars in thousands (except share and per share data)****NOTE 1:- GENERAL (Cont.)**

- g. On October 7, 2023, Israel declared war against the Hamas terrorist organization (the “**Israeli War**”), leading to increased military activity along its borders and disruptions to business and economic activity. Despite these challenges, the Company has maintained its operations in Israel, with laboratory and offices in Haifa fully operational, even amid missile threats. As of the date of this report, the Israeli War has had no material impact on the Company’s operations.
- h. Unless otherwise stated, amounts are in thousands of US dollars (“**US\$**”), with references to “**C\$**” for Canadian dollars and “**NIS**” for New Israeli Shekels.

NOTE 2:- MATERIAL ACCOUNTING POLICIES

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

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- a. On January 8, 2025, the Company issued 65,000 common shares in the capital of the Company (“**Common Shares**”) following the exercise of 65,000 warrants issued pursuant to a non-brokered private placement in January 2024 (the “**January 2024 Private Placement Warrants**”). Each January 2024 Private Placement Warrant was exercised at a price of C\$0.35 per Common Share, generating total proceeds of \$16 (C\$23).
- b. On January 19, 2025, the Company received gross proceeds of \$506 (C\$728) through the exercise of 2,140,456 class A Common Share purchase warrants (each a “**Class A Warrant**”) at a price of C\$0.34 per Class A Warrant issued in the first tranche of the non-brokered private placement of the Company which closed on the August 25, 2023 (the “**August 2023 Offering**”). The exercise of the Class A Warrants followed the Company providing the Class A Warrant holders an acceleration notice on December 17, 2024 that the Class A Warrant acceleration trigger was met when the daily volume weighted average trading price of the Common Shares on the TSXV equaled or exceeded C\$0.69 for a period of 20 consecutive trading days. The effect of such exercises, along with the prior exercise of 181,818 Class A Warrant back in March 2024, resulted in all Class A Warrants issued in August 2023 Offering being exercised.
- c. On January 21, 2025, the Company closed a non-brokered private placement of 856,996 units (“**January 2025 Units**”) at a price of C\$0.56 per January 2025 Unit for aggregate gross proceeds of \$333 (C\$480) (the “**January 2025 Unit Offering**”), with issuance costs of \$23 (C\$33). Each January 2025 Unit consisted of (i) one Common Share, and (ii) one Common Share purchase warrant (each, a “**January 2025 Warrant**”). Each January 2025 Warrant entitles the holder thereof to purchase one Common Share at a price of C\$0.70 per Common Share for a period of 36 months, subject to acceleration.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**U.S. dollars in thousands (except share and per share data)****NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)**

If the daily volume weighted average trading price of the Common Shares on the TSXV for any period of 20 consecutive trading days equals or exceeds C\$1.75, the Company may, upon providing written notice to the holders of the January 2025 Warrants (the “**January 2025 Offering Acceleration Notice**”), accelerate the expiry date of the January 2025 Warrants to the date that is 45 days following the date of the January 2025 Offering Acceleration Notice. In addition, following the date of the issuance of the January 2025 Warrants, if the Company lists the Common Shares on a nationally recognized stock exchange in the United States, the Company may upon providing an acceleration notice (the “**U.S. Listing Acceleration Notice**”), accelerate the expiry date of the January 2025 Warrants to the date that is 45 days following the date of the U.S. Listing Acceleration Notice. If the January 2025 Warrants are not exercised by the applicable accelerated expiry dates, the January 2025 Warrants will expire and be of no further force or effect. All securities issued under the January 2025 Unit Offering were issued subject to applicable statutory hold periods.

- d. On January 29, 2025, following the approval by the Board, the Company granted incentive awards under the Company’s equity incentive plan (the “**Equity Incentive Plan**”) to certain employees and service providers. A total of 299,802 stock options (“**Options**”) were granted, each exercisable for one Common Share at a price of C\$0.56 per Common Share (the “**January 2025 Options**”). The vesting schedule for the January 2025 Options is as follows: (i) 35,802 January 2025 Options will vest over three months (ii) 189,000 January 2025 Options will vest over six months, and (iii) 75,000 January 2025 Options will vest over two years. The January 2025 Options have an exercise period of ten years from the vesting commencement date. The fair value of each January 2025 Option as of the grant date was C\$0.40, determined by using the Black-Scholes option pricing model, based on a vesting period of up to two years. The total share-based compensation expense recognized in relation to the January 2025 Options was \$84.
- e. On February 4, 2025, the Company incorporated Exo-Top Inc. (“**Exo-Top**”), its wholly owned subsidiary, under the laws of Nevada to advance its Good Manufacturing Practice (“**GMP**”) fully characterized exosome production. Incorporating Exo-Top offers the Company key advantages, including closer proximity to strategic partners, access to a robust biopharma ecosystem, and increased market opportunities. The establishment of Exo-Top and the subsequent acquisition of the master cell bank gives the Company greater control over its exosome production process by securing the cell source of the Company’s exosomes. This acquisition enables the Company to potentially sell high-quality exosomes to pharmaceutical companies, biotech firms, and researchers globally, creating additional revenue streams. Unlike companies that depend on third-party cell sources, Exo-Top will operate independently, without external licensing or royalty obligations, ensuring cost efficiency and strategic flexibility as the Company advances its development pipeline. The Company is currently assessing the potential future impact of the wide sweeping changes in tariff policies introduced by the United States in April 2025 on its business operations in the United States, if any.
- f. On February 19, 2025, the Company issued 328,625 Common Shares pursuant to the exercise of the January 2024 Private Placement Warrants. The January 2024 Private Placement Warrants were exercised at a price of C\$0.35 per Common Share, generating total proceeds of \$81 (C\$115).

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY

a. Share capital:

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

	Authorized as of		Issued and outstanding as of	
	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
Consolidated Common Shares without a nominal par value	Unlimited	Unlimited	74,464,675	71,073,598

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

	Number of Common Shares
Outstanding as of December 31, 2023	48,249,707
Issuance of Common Shares from a private placements ⁽¹⁾	10,251,352
Issuance of Common Shares from an exercise of Options ⁽²⁾	100,070
Issuance of Common Shares from an exercise of warrants ⁽³⁾	11,197,469
Issuance of Common Shares from release of restricted share units ("RSUs") ⁽⁴⁾	1,275,000
Outstanding as of December 31, 2024	71,073,598
Issuance of Common Shares from a private placement ⁽⁵⁾	856,996
Issuance of Common Shares from an exercise of warrants ⁽⁶⁾	2,534,081
Outstanding as of March 31, 2025	74,464,675

(1) Issuance of 10,251,352 Common Shares from private placements:

- i. On January 4, 2024, the Company completed a non-brokered private placement, issuing 7,091,993 units (each, a "**January 2024 Private Placement Unit**") at a price of C\$0.28 per unit for gross proceeds of \$1,487 (C\$1,986), with issuance costs of \$17 (C\$23). Each January 2024 Private Placement Unit consisted of one Common Share and one January 2024 Private Placement Warrant, with each warrant exercisable at C\$0.35 for a period of 36 months.
- ii. On September 26, 2024, the Company completed the first tranche of a non-brokered private placement (the "**September 2024 Private Placement**"), issuing 2,927,541 units (each, a "**September 2024 Private Placement Unit**") at a price of C\$0.55 per unit for gross proceeds of \$1,194 (C\$1,610). Each September 2024 Private Placement Unit consisted of one Common Share and one warrant, with each warrant exercisable at C\$0.70 for a period of 36 months.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY (Cont.)

a. Share capital (cont.):

- (1) Issuance of 10,251,352 Common Shares from private placements (cont.):
 - iii. On November 1, 2024, the Company closed the second and final tranche of the September 2024 Private Placement, issuing 231,818 September 2024 Private Placement Units at a price of C\$0.55 per unit for gross proceeds of \$91 (C\$127), with issuance costs of \$46 (C\$62). Each September 2024 Private Placement Unit consisted of one Common Share and one warrant, with each warrant exercisable at C\$0.70 for a period of 36 months.
- (2) Issuance of 100,070 Common Shares from the exercise of Options:
 - i. On March 18, 2024, 85,000 Options were exercised on a “cashless” basis at C\$0.33, issuing 49,493 Common Shares and expiring 35,507 Options.
 - ii. On April 16, 2024, 34,000 Options were exercised on a “cashless” basis at C\$0.33, issuing 15,606 Common Shares and expiring 18,394 Options.
 - iii. On June 13, 2024, 17,000 Options were exercised at C\$0.33, generating gross proceeds of \$4 (C\$6).
 - iv. On July 11, 2024, 34,000 Options were exercised on a “cashless” basis at C\$0.33, issuing 17,971 Common Shares and expiring 16,029 Options.
- (3) Issuance of 11,197,469 Common Shares from the exercise of warrants:
 - i. On March 22, 2024, the Company completed the accelerated exercise of 12,682,340 warrants issued pursuant to a private placement of units on June 15, 2022, (the “**June 2022 Warrants**”), resulting in the exercise of 9,684,993 June 2022 Warrants at C\$0.38, raising \$2,714 (C\$3,680). The remaining 2,997,347 June 2022 Warrants expired unexercised. The acceleration was triggered when the Common Shares exceeded C\$0.475 for 10 consecutive trading days on the TSXV.
 - ii. In addition to the acceleration of the June 2022 Warrants, the Company raised \$205 (C\$277) from the exercise of non-accelerated warrants:
 - a. 556,818 Warrants issued in connection with a private placement that closed on September 6, 2023 (the “**September 2023 Private Placement**”), with an exercise price of C\$0.34, generating gross proceeds of \$140 (C\$190); and
 - b. 181,818 Warrants issued in connection with September 2023 Private Placement, with an exercise price of C\$0.48, generating gross proceeds of \$65 (C\$87).
 - iii. In 2024, the Company issued 773,840 Common Shares at C\$0.35 per share, raising \$196 (C\$271) from the exercise of the January 2024 Private Placement Warrants.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY (Cont.)

a. Share capital (cont.):

- (4) Issuance of 1,275,000 Common Shares from the release of RSUs:

On May 8, 2024, the Company issued 1,275,000 Common Shares upon the release of RSUs, following a one-year period, vesting anniversary, to certain officers and directors.

- (5) On January 21, 2025, the Company issued 856,996 Common Shares pursuant to the January 2025 Offering. Note 3(c).

- (6) Issuance of 2,534,081 Common Shares from the exercise of warrants:

- i. On January 8, 2025, the Company issued 65,000 Common Shares pursuant to exercise of the January 2024 Private Placement Warrants. Note 3(a).
- ii. On January 19, 2025, the Company issued 2,140,456 Common Shares pursuant to exercise of the January 2024 Private Placement Warrants. Note 3(b).
- iii. On February 19, 2025, the Company issued 328,625 Common Shares pursuant to exercise of the January 2024 Private Placement Warrants. Note 3(f).

b. Warrants:

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

	Three-month ended period March 31,		Year ended December 31,			
	2025	2024	2024			
	Number of Warrants	Weighted average exercise price (CAD\$)	Number of Warrants	Weighted average exercise price (CAD\$)	Number of Warrants	Weighted average exercise price (CAD\$)
Outstanding at the beginning of the period	14,133,424	0.45	18,076,888	0.39	18,076,888	0.39
Issued	⁽¹⁾ 856,996	0.70	-	-	3,159,359	0.70
Issued	-	-	7,091,993	0.35	7,091,993	0.35
Exercised	-	-	(181,818)	0.48	(181,818)	0.48
Exercised	-	-	(9,684,993)	0.38	(9,684,993)	0.38
Exercised	⁽²⁾ (393,625)	0.35	-	-	(773,840)	0.35
Exercised	⁽³⁾ (2,140,456)	0.34	(556,818)	0.34	(556,818)	0.34
Expired	-	-	(2,997,347)	0.38	(2,997,347)	0.38
Outstanding at the end of the period	12,456,339	0.49	11,747,905	0.38	14,133,424	0.45

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY (Cont.)

b. Warrants: (cont.):

- (1) Note 3(c).
- (2) Issuance of 393,625 Common Shares from the exercise of warrants:
 - i. On January 8, 2025, the Company issued 65,000 Common Shares from the exercise of January 2024 Private Placement Warrants. These January 2024 Private Placement Warrants generated gross proceeds of \$16 (C\$23). Note 3(a).
 - ii. On February 19, 2025, the Company issued 328,625 Common Shares from the exercise of January 2024 Private Placement Warrants. The January 2024 Private Placement Warrants generated gross proceeds of \$80 (C\$115). Note 3(f).
- (3) Note 3(b).

c. Share incentive plan:

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

	Three-month period ended March 31,		Year ended December 31,			
	2025	2024	2024			
	Number of Options	Weighted average exercise price (CAD\$)	Number of Options	Weighted average exercise price (CAD\$)	Number of Options	Weighted average exercise price (CAD\$)
Outstanding at the beginning of the period	7,724,569	0.38	6,119,524	0.32	6,119,524	0.32
Granted	⁽¹⁾ 299,802	0.56	-	-	2,233,545	0.55
Exercised	-	-	(49,493)	0.33	(100,070)	0.33
Forfeited	-	-	(306,000)	0.33	(428,500)	0.35
Expired	-	-	(35,507)	0.33	(99,930)	0.31
Outstanding at the end of the period	8,024,371	0.39	5,728,524	0.32	7,724,569	0.38
Exercisable at the end of the period	6,140,712	0.34	4,713,772	0.32	5,752,621	0.33

- (1) Note 3(d).

As of March 31, 2025, total unrecognized share-based compensation costs amounted to \$190, which are expected to be recognized over a period of up to two years.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- SHAREHOLDERS' EQUITY (cont.)

c. Share incentive plan (cont.):

As of March 31, 2025, the Company had 1,766,644 Common Shares available for issuance pursuant to the exercise or vesting of awards under the Equity Incentive Plan.

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

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

As of March 31, 2025, the Company had 2,000,000 outstanding RSUs granted under its Equity Incentive Plan.

A total of \$131 in unrecognized share-based compensation costs that are expected to be recognized over a period of up to one year.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 5:- RELATED PARTY TRANSACTIONS

a. Benefits to key executive personnel:

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

	Three-month period ended		Year ended
	March 31,		December 31,
	2025	2024	2024
Short-term benefits	\$ 133	\$ 135	\$ 670
Share-based payment	191	78	587
	\$ 324	\$ 213	\$ 1,257

2. The balance of other payables to key management personnel and directors amounted to \$49 as of March 31, 2025, compared to \$64 as of December 31, 2024.

b. Related party:

1. Technion Research and Development Foundation Ltd. (“**TRDF**”) serves as the licensor of the Company’s core technology used for product development. The Company has engaged in services provided by TRDF and maintains financial balances with TRDF, a key vendor and principal shareholder holding 3,927,000 Common Shares, representing 4.5% (December 31, 2024 - 4.6%) on a fully diluted basis, including Common Shares and warrants, as of March 31, 2025.
2. Until June 30, 2024, TRDF provided lab services for the Company. These services were discontinued as the Company began operating its own laboratory, leased from TRDF.
3. As of March 31, 2025, other payables to TRDF totaled \$3, compared to \$14 as of December 31, 2024. The royalty payment balance to TRDF was \$56 as of March 31, 2025 (December 31, 2024 - \$78).
4. The Company recognized expenses and conducted transactions with TRDF totaling \$3 as of March 31, 2025, compared to \$121 as of December 31, 2024.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**U.S. dollars in thousands (except share and per share data)****NOTE 6:- SUBSEQUENT EVENTS**

- a. On April 9, 2025, the Company completed a non-brokered private placement (the “**April 2025 Private Placement**”) of units of the Company (each, a “**April 2025 Unit**”) through the issuance of an aggregate of 3,543,238 April 2025 Units. Each April 2025 Unit was issued at a price of C\$0.65 per April 2025 Unit generating aggregate gross proceeds of \$1,610 (C\$2,303). Each April 2025 Unit was comprised of (i) one Common Share and (ii) one Common Share purchase warrant (each, an “**April 2025 Warrant**”). Each April 2025 Warrant entitles the holder to purchase one Common Share at price of C\$0.85 per April 2025 Warrant for a period of 36 months. All securities issued under the April 2025 Private Placement were issued subject to applicable statutory hold periods.
- b. On April 9, 2025, pursuant to the Equity Incentive Plan, the Board granted to certain directors, officers, employees and consultants of the Company an aggregate of 110,000 Options (each, an “**April 2025 Option**”) and approved the future grant of 1,125,000 RSUs (each, an “**April 2025 RSU**”) to be issued at the later of: (x) June 18, 2025 and (y) the date of the next annual general and special meeting of shareholders of the Company (the “**Annual Meeting**”). Each April 2025 Option is exercisable at a price of \$0.68 per Common Share. 50,000 April 2025 Options expire nine years from the date of grant and vest over twenty-four (24) months, such that 25% of the April 2025 Options vest on the six-month anniversary of the date of grant, and an additional 12.5% of the April 2025 Options vest at the end of each subsequent 3-month period thereafter until the second anniversary of the date of grant, provided that the grantee continues to be an eligible participant under the Equity Incentive Plan, and 60,000 April 2025 Options expire ten years from the date of grant and vest at a rate of 50% each quarter over a six month period from the date of grant, subject to the fulfillment of certain terms and provided that the grantee continues to be an eligible participant under the Equity Incentive Plan. Each April 2025 Option is exercisable to purchase one Common Share. Each April 2025 RSU will vest on the later of: (x) June 18, 2026, and (y) the one-year anniversary of the Annual Meeting and will expire on the later of the later of: (x) June 18, 2036 and (y) the ten-year anniversary of the date of the Annual Meeting. Each April 2025 RSU will settle into one Common Share. All of the April 2025 Options and April 2025 RSUs, once issued, (and any Common Shares issuable upon their exercise and settlement) are subject to a four-month and one day hold period pursuant to the policies of the TSXV and applicable securities laws.
- c. On April 22, 2025, the Company appointed Jacob Licht as Chief Executive Officer of Exo-Top and as Vice President of Corporate Development at NurExone. This strategic nomination marks a key milestone in the Company’s plan to establish Exo-Top as a GMP-compliant exosome manufacturing facility, which will serve as the cornerstone of NurExone’s global supply chain and commercialization strategy. Under Mr. Licht’s leadership, the Company will move forward with developing manufacturing capabilities, forming strategic partnerships, and aligning operations with clinical readiness and future fundraising objectives. Note 3(e).

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 6:- SUBSEQUENT EVENTS (Cont.)

- d. On April 27, 2025, the Company entered into a third amendment to the license agreement between TRDF and Ramot, Tel Aviv University’s technology transfer company, pursuant to which the royalty section was amended such that the Company is required to make a fixed annual royalty payment of \$26, with the amount increasing by 30% annually, once Phase II of the clinical trial begins. Prior to this amendment, the royalty would have increased by 30% annually starting from the third anniversary of the agreement’s effective date in June 2020. The maximum annual royalty remains capped at \$50.

- e. On April 29, 2025, the Company engaged in investor relation services with POSITIVE Communications (“**POSITIVE**”), which has received TSXV approval, to support the Company’s efforts to raise awareness and generate exposure for the Company and its achievements. POSITIVE is a boutique public relations agency based in Tel Aviv, Israel. POSITIVE was engaged for an initial six-month term for a monthly fee of NIS 15, plus VAT. Either party has the right to terminate the agreement upon providing 30-days’ notice. POSITIVE does not currently have a direct or indirect interest in the securities of the Company. While POSITIVE has no intention of acquiring any additional securities of the Company at this time, it may do so in the future in compliance with applicable securities laws and TSXV policies.
