

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.

November 23, 2022.

NUREXONE BIOLOGIC INC.
(FORMERLY ENERSPAR CORP.)
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2022

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)

	September 30, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,151	\$ 2,214
Restricted deposit	54	19
Due from shareholders with respect to shares issuance	-	451
Other receivables	197	152
	3,402	2,836
<u>Total</u> current assets	3,402	2,836
NON-CURRENT ASSETS:		
Property, plant and equipment, net	58	-
Right-of-use assets	56	-
	114	-
<u>Total</u> non-current assets	114	-
<u>Total</u> assets	\$ 3,516	\$ 2,836

The accompanying notes are an integral part of the Condensed Interim Consolidated Financial Statements.

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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Other accounts payable	\$ 557	\$ 311
Employees and payroll accruals	142	35
Convertible notes	-	1,043
Derivatives	-	242
	<u>699</u>	<u>1,631</u>
NON-CURRENT LIABILITIES:		
Royalty payments to TRDF	85	28
Lease liability	25	-
	<u>110</u>	<u>28</u>
EQUITY:		
Share capital	75	39
Additional paid-in capital and other reserves	10,826	3,218
Warrants reserve	930	-
Foreign currency translation reserve	(101)	(5)
Share-based payment reserve	381	174
Accumulated Deficit	(9,404)	(2,249)
	<u>2,707</u>	<u>1,177</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 3,516</u>	<u>\$ 2,836</u>

The accompanying notes are an integral part of the Condensed Interim Consolidated Financial Statements.

<i>"Yoram Drucker"</i> <hr/> Yoram Drucker Chairman of the board	<i>"Dr. Lior Shaltiel"</i> <hr/> Dr. Lior Shaltiel Director and CEO	November 23, 2022 <hr/> Date of approval of the Financial statements
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NUREXONE BIOLOGIC INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF COMPREHENSIVE LOSS
(U.S. Dollars in thousands)

	Nine months ended September 30,		Three months ended September 30,	
	2022	2021	2022	2021
Research and development expenses	\$ 1,006	\$ 276	\$ 422	\$ 39
General and administrative expenses	3,694	533	566	233
Listing expenses	2,078	-	39	-
Operating loss	6,778	809	1,027	272
Finance (income) expenses, net	377	(67)	14	(8)
Net loss	7,155	742	1,041	264
<u>Other comprehensive loss:</u>				
Items that will not be reclassified subsequently to profit or loss:				
Loss (Income) from foreign currency translation adjustments	96	(9)	56	(2)
Total comprehensive loss	\$ 7,251	\$ 733	\$ 1,097	\$ 262
Net loss per share:				
Basic and diluted loss per share	\$ 0.201	\$ 0.070	\$ 0.030	\$ 0.025
Weighted average number of common shares – basic and diluted (*) (Note 5)	36,086,385	10,444,512	36,086,385	10,444,512

(*) After giving effect to the Share split.

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)

	Number of shares	Ordinary share capital	Additional paid-in capital	Share- based payments reserve	Warrants reserve	Foreign currency translation reserve	Accumulated losses	Total
Balance as of January 1, 2022	<u>2,536,000</u>	<u>\$ 39</u>	<u>\$ 3,218</u>	<u>\$ 174</u>	<u>-</u>	<u>\$ (5)</u>	<u>\$ (2,249)</u>	<u>\$ 1,177</u>
<u>Changes during the period:</u>								
Net loss	-	-	-	-	-	-	(7,155)	(7,155)
Other comprehensive loss	-	-	-	-	-	(96)	-	(96)
Net loss and total comprehensive	-	-	-	-	-	(96)	(7,155)	(7,251)
Reverse takeover	22,290,519	5	1,600	-	-	-	-	1,605
Warrants reserve	-	-	-	-	930	-	-	930
Warrants exercised by TRDF	3,927,000	7	9	-	-	-	-	16
Expiry of full-ratchet protection	-	-	115	-	-	-	-	115
Share-based compensation	-	-	-	207	-	-	-	207
Issuance of ordinary shares to investors, net of issuance expenses of \$139	13,630,444	24	5,884	-	-	-	-	5,908
Balance as of September 30, 2022	<u>42,383,963</u>	<u>\$ 75</u>	<u>\$ 10,826</u>	<u>\$ 381</u>	<u>\$ 930</u>	<u>\$ (101)</u>	<u>\$ (9,404)</u>	<u>\$ 2,707</u>

The accompanying notes are an integral part of the Condensed Interim Consolidated Financial Statements.

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

	<u>Ordinary share capital</u>	<u>Additional paid-in capital and other reserves</u>	<u>Share-based payments reserve</u>	<u>Foreign currency translation reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance as at January 1, 2021	\$ 24	\$ 649	\$ -	\$ (10)	\$ (602)	\$ 61
<u>Changes during the period:</u>						
Net loss	-	-	-	-	(742)	(742)
Other comprehensive income	-	-	-	9	-	9
Net loss and total comprehensive	-	-	-	9	(742)	(733)
Warrants reserve	-	19	-	-	-	19
Full-ratchet protection	-	5	-	-	-	5
Share-based compensation	-	-	42	-	-	42
Issuance of ordinary shares to investors, net of issuance expenses of \$25	5	819	-	-	-	824
Balance as at of September 30, 2021	\$ 29	\$ 1,492	\$ 42	\$ (1)	\$ (1,344)	\$ 218

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)

	Nine months ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (7,155)	\$ (742)
<u>Adjustments to reconcile net loss to net cash used in operating activities:</u>		
Amortization of right-of-use assets	5	-
Share-based compensation	207	42
Interest expenses on convertible notes	30	-
Revaluation of financial derivatives	285	(68)
Revaluation of royalty payments to TRDF	56	(1)
Listing expenses	1,847	-
<u>Changes in operating assets and liabilities</u>		
Increase in employees and payroll accruals	109	6
Increase in other receivables	(133)	(26)
Increase in other payables	1	104
Net cash used in operating activities	(4,748)	(685)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment	(58)	-
Restricted cash	(37)	(19)
Net cash used in investing activities	(95)	(19)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of subscription receipts	1,027	-
Proceeds from the issuance of private placement	2,780	823
Proceeds from the issuance of convertible notes	111	-
Proceeds from warrants reserve	306	12
Reverse Takeover (Appendix A)	1,677	-
Payment of lease liabilities	(15)	-
Net cash provided by financing activities	5,886	835
Effect of exchange rate changes on cash	(106)	-
Net increase in cash	937	131
Cash at the beginning of the period	2,214	2
Cash at the end of the period	\$ 3,151	\$ 133
SIGNIFICANT NON-CASH ACTIVITIES:		
Account receivable in associate with the issuance of ordinary shares	\$ -	\$ 400
Expiry of full-ratchet protection	\$ 115	\$ -
Issuance expenses	\$ 139	\$ -
Right-of-use asset and lease liability	\$ 59	\$ -
Issue of shares from convertible notes conversion	\$ 1,285	\$ -

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)

Appendix A – Reserve Takeover:

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

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

NOTE 1 - GENERAL:

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. As referred to below, the Company and its business as presented are the result of the Reverse Takeover of EnerSpar by NurExone Biologic Ltd., a pharmaceutical business incorporated in Israel in June 2020. The former business of EnerSpar was hived down to a subsidiary whose shares were divided-out to the former EnerSpar shareholders.

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

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

On June 15, 2022, EnerSpar and NurExone Biologic Ltd. (“NurExone Ltd”), completed a “Reverse Takeover Transaction” (“RTO”) as such term is defined under Policy 5.2 of the TSXV (Note 4).

On June 20, 2022, the TSXV accepted the RTO, pursuant to the terms of a securities exchange agreement dated January 3, 2022, as amended on April 12, 2022, subject to a number of conditions. All such conditions were satisfied, the RTO was completed and the Common Shares of the Company (the “Common Shares”) commenced trading on June 22, 2022.

Going Concern

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

As of September 30, 2022, the Company had cash of \$3,151 (December 31, 2021 - \$2,214), and a working capital of \$2,707 (December 31, 2021 - \$1,177). The Company had a deficit of \$9,404 as of September 30, 2022, (December 31, 2021 - \$2,249).

Management believes the Company may not have sufficient funds to cover planned operations throughout the next twelve months. However, management may secure additional financing through the issue of new equity and/or debt. There is no assurance that these initiatives will be successful. These events and conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. This could result in adjustments to the amounts and classifications of assets and liabilities in the Company's unaudited condensed interim consolidated financial statements.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of preparation

These unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2022, are presented in United States dollars. The functional currency of the Company is the Canadian dollar, and the functional currency of the Israeli subsidiary company (“the Subsidiary Company” or “NurExone Ltd”) is the New Israeli Shekel, which was decided using the principal currency of the primary economic environment in which the Subsidiary Company operate.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the requirements of International Accounting Standard IAS 34 "Interim Financial Reporting". They do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2021.

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, 2021, except the following:

Listing expenses

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

Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low-value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee.
- the exercise price of any purchase option granted in favor of the group if it is reasonably certain to assess that option.

Right-of-use assets are initially measured at the amount of the lease liability. Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Leases (cont.)

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognized in profit or loss.

Property, plant, and equipment

Items of property, plant, and equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Depreciation is provided on all other items of property, plant, and equipment over their expected useful economic lives.

NOTE 3 – SIGNIFICANT EVENTS DURING THE REPORTING PERIOD:

1. On April 1, 2022, NurExone Ltd signed a second amendment to a previous sponsored research agreement for extending the research services with Technion Research and Development Foundation Ltd. (“TRDF”), until the end of Q3-2023, which reflects the need to achieve certain milestones in the related license agreement. Total consideration was \$411 payable in three (3) installments on a half-year basis (Q2-2022, Q4-2022, Q2-2023). In the event that the Company decides to terminate the service agreement, this would not result in the termination of the license agreement with TRDF.
2. On May 4, 2022, 125,000 EnerSpar options (12,500 post-consolidation) expired unexercised.
3. On May 13, 2022, NurExone Ltd issued 67,647 shares (equal to 1,150,000 Common Shares post-RTO at a share price of CAD \$0.80) to an arm's length financial advisor (Exiteam Capital Partners Ltd.) as advisory services shares in connection with certain financial and advisory services related to the RTO.
4. On June 15, 2022, further to the completion of the RTO, the board approved the engagement with Marsh Israel Insurance for acquiring a run-off and director and officer insurance policy.
5. On June 22, 2022, the Company engaged a Retains Market Maker, Questrade Inc., an unrelated entity, to provide market-making services for a fee of CAD \$5.5 thousand per month. The engagement is for an initial term of one year and is automatically renewable for successive one-year terms.
6. On July 1, 2022, NurExone Ltd signed a termination of the commercial services agreement with Dolos Consultancy Ltd, (“Dolos”). The services provided by Dolos were subsequently terminated.
7. On July 5, 2022, the Company signed retains services agreement with Thesis Capital Inc. (“Thesis”). Thesis provides investor relations and advisory services to the Company. Pursuant to the agreement, Thesis will be paid a monthly retainer of CAD \$5.5 thousand for a period of 12 months.

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

NOTE 3 – SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (CONT.)

8. On July 11, 2022, NurExone Ltd signed a collaboration agreement with Polyrizon Ltd. (“Polyrizon”) for Intranasal administration of Exosome-Therapy. NurExone Ltd will cover the costs of the formulation development up to EUR €215 thousand, payable in three installments of 33%, per installment, subject to development success. NurExone expects to be able to perform a biological efficacy study of the intranasal system by Q2-23. NurExone shall also pay development fees to Polyrizon of up to a total of \$3.35 million, upon completion of certain milestones, including the payment of an aggregate of US \$0.5 million upon successful completion of a Phase-II clinical trial. Moreover, NurExone shall pay royalties that generate an income as follows: (i) for an income of US\$50-\$2.5M, royalty payment of 2.25% from net income. (ii) for an income of US\$2.5M-\$10M, royalty payment of 2.75% from net income. (iii) for an income of US\$10M and above, royalty payment of 3.25% from net income; and (iv) for an income through sublicense, royalty payment of 35% from any received amount.
9. On July 18, 2022, NurExone Ltd signed a material transfer agreement with Yisum Research Development Company of the Hebrew University of Jerusalem Ltd (“Yisum”). The company shall make biological, chemical, and other tangible materials, at no charge, available for the use of Yisum for research purposes. NurExone Ltd has the option to receive an exclusive license to the jointly owned results and related intellectual property that may arise from the research, in the field of neurodegenerative diseases and central nervous system indications, upon commercial and other terms and conditions to be negotiated.
10. On August 16, 2022, the Company signed a business services agreement with public eye CONSULTING BUSCHE. The engagement is for an initial term of 12 months, starting September 1, 2022. The Company shall pay a total fee of CAD \$252 thousand in three installments: 33% upon agreement signing, 33% 4 months after the 1st installment, and the remaining balance 4 months after the 2nd installment.
11. On September 1, 2022, the Company signed a letter of intent for international strategic collaboration with denovoMATRIX GMBH Towards Large-Scale Exosome Production. The primary aim of the collaboration is to develop a mutually beneficial supply agreement, whereby denovoMATRIX will develop and provide technologies enabling large-scale exosome production.
12. On September 1, 2022, NurExone Ltd signed on with ARX Advisory Ltd., pursuant to a business services agreement for the provision of content and research study and awareness and Growth campaigns for the Company. The Company shall pay \$30 for a period of 2 months.
13. On September 18, 2022, NurExone Ltd signed a letter of intent for research collaboration with Nanometrix Ltd. (“Nanometrix”). Nanometrix will process and analyze the exosome and cargo samples provided by the Company using its technology and produce a molecular profile of the exosomes received.

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

NOTE 4 – REVERSE TAKEOVER:

Completion of the RTO with EnerSpar

On June 15, 2022, the Company completed the RTO with NurExone Ltd, pursuant to which NurExone Ltd became a wholly-owned subsidiary of the Company. As a result of the RTO, the former shareholders of NurExone Ltd acquired control of the Company, thereby constituting a reverse takeover of the Company. The RTO is considered a purchase of EnerSpar’s net liabilities by NurExone Ltd.

The fair value of the consideration is as follows:

	US Dollars in Thousands
Fair Value of Consideration of 2,536,000 EnerSpar Shares at CAD \$0.80	\$ 1,605
Plus: Net Liabilities of EnerSpar	242
Reverse Takeover Transaction Cost	\$ 1,847

For accounting purposes, NurExone Ltd is considered the accounting acquirer, and EnerSpar is considered the acquired company. Since EnerSpar 's operations do not constitute a business, the acquisition of EnerSpar is not a business combination pursuant to IFRS 3 and the transaction is accounted for as a reverse takeover of the publicly traded company.

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

Completion of Private Placement, Convertible Notes, and Subscription Receipt Financing

1. On January 3, 2022, NurExone Ltd and the shareholders of NurExone Ltd, and EnerSpar Corp., entered into an arm's length securities exchange agreement (the "Securities Exchange Agreement"), pursuant to which EnerSpar and NurExone Ltd agreed to complete the RTO.
2. On April 12, 2022, NurExone Ltd and EnerSpar signed an Amending Agreement to the Securities Exchange Agreement, to define “NurExone CLA” (the Convertible Notes Agreement) and “NurExone Private Placement”.
3. In connection with the RTO, outstanding Convertible Notes of NurExone Ltd were converted into 2,684,249 Common Shares at a share price of CAD \$0.61 and 1,374,573 Common Share purchase warrants at an exercise price of CAD \$1.20 per warrant, exercisable for a period of 24 months following the effective date of the agreement. In the event that the share price of the Common Shares of the Company exceeds CAD \$2.00 on a volume-weighted price over 20 consecutive days, the holder shall have 30 days to exercise the warrants.

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

NOTE 4 – REVERSE TAKEOVER (CONT.):

Completion of Private Placement, Convertible Notes, and Subscription Receipt Financing (cont.)

4. In April 2022, NurExone Ltd issued 145,013 shares (2,465,221 Common Shares RTO exchange) at a share price of USD \$6.00 (CAD \$0.44 post-RTO) and 145,013 warrants (2,465,221 Common Share purchase warrants post-RTO exchange with an exercise price of CAD \$1.20 per warrant), for total considerations of \$870. The Common Share purchase warrants are valid for a period of 24 months from the issuance date.

5. In April 2022, the Company completed a private placement of CAD \$3,642 thousand (\$2,817) of subscription receipts at a price of CAD \$0.80 per subscription receipt ("Subscription Receipts") to be held in escrow until the closing of the RTO. The gross proceeds of the offering initially were held in escrow on behalf of the subscribers of the Subscription Receipts by Irwin Lowy LLP (the "Escrow Agent"), pursuant to the terms of a subscription receipt agreement dated April 29, 2022, between the Company and the Escrow Agent. Each Subscription Receipt has been automatically converted, without payment of any additional consideration and without further action on the part of the holder thereof, for one unit of the Company. The units issued upon conversion of the Subscription Receipts were comprised of one Common Share and one Common Share purchase warrant. Each warrant will be exercisable by the holder thereof for one Common Share of the Company at an exercise price of CAD \$1.20 per Common Share for a period of twenty-four (24) months following the date of issuance, subject to adjustments in certain events.

In the aggregate, 4,551,814 Common Shares and 4,551,814 Common Share purchase warrants were issued pursuant to the conversion of Subscription Receipts. In the event that, the price of the Common Shares exceeded CAD \$2.00 on a volume-weighted price over 20 consecutive days, the holder shall have 30 days to exercise the warrants.

NOTE 5 – SHAREHOLDERS' EQUITY:

A. Share capital

Authorized share capital consists of an unlimited number of Common Shares, is as follows:

	Authorized as of		Issued and outstanding as of	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Consolidated Common Shares post-RTO at a nominal value per each:	Unlimited	Unlimited	42,383,963	24,826,519

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

NOTE 5 – SHAREHOLDERS’ EQUITY (CONT.):

B. Issued and outstanding

A summary of the change in the issued and outstanding Common Shares during the period ended September 30, 2022, is as follows:

	Issued Shares (*)
Post-Consolidation EnerSpar issued shares on a 10 to 1 basis	2,536,000
Post-Consolidation NurExone issued Common Shares on a 1 to 17 basis	22,290,519
<hr/>	
Outstanding shares as at December 31, 2021	24,826,519
<hr/>	
Exercised warrants in February 2022	(1) 3,927,000
Issued services shares to Consultants from January to March 2022	(2) 2,779,160
Issued shares of Convertible Notes on April 30, 2022	(3) 2,684,249
Issued shares of NurExone Private Placement on April 30, 2022	(4) 2,465,221
Issued Advisory Services Shares on May 13, 2022	(5) 1,150,000
Issued shares of EnerSpar Subscription Receipts on June 15, 2022	(6) 4,551,814
<hr/>	
Outstanding shares as at September 30, 2022	42,383,963

(*) After giving effect to the Share split.

- (1) On February 7, 2022, Technion Research and Development Foundation Ltd. (“TRDF”) exercised 3,927,000 warrants for Common Shares at a share price of CAD\$0.005.
- (2) The Company issued 2,779,160 Common Shares to several Consultants at a share price of CAD \$0.44 for total consideration of CAD \$1,223 thousand.
- (3) Refer to Note 4 (3) with respect to the *Completion and Conversion of Convertible Notes* to a total of 2,684,249 Common Shares.
- (4) Refer to Note 4 (4) with respect to the *Completion of Private Placement* to a total of 2,465,221 Common Shares.
- (5) The Company issued 1,150,000 Common Shares (Exiteam Capital Partners Ltd.) at a share price of CAD \$0.80 for total consideration of CAD \$920 thousand in connection with certain financial and advisory services related to the RTO.
- (6) Refer to Note 4 (5) with respect to the *Completion of EnerSpar Subscription Receipts* to a total of 4,551,814 Common Shares.

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

NOTE 5 – SHAREHOLDERS’ EQUITY (CONT.):

C. Incentive Share Option Plan

The Company has a share option plan pursuant to which the Board of Directors of the Company may grant options to purchase Common Shares to the officers, directors, and technical consultants of the Company. The aggregate number of Common Shares reserved for issuance under the share option plan is set at a maximum of 10% of the total number of Common Shares issued and outstanding at the time the options are granted. The exercise price of all options issued under the share option plan may not be less than the closing market price on the Exchange on the last business day prior to the date the option was granted.

As of September 30, 2022, the Company had 86,401 options available for issuance.

	Number of Options (*)
Post-Consolidation EnerSpar options on a 10:1 basis	12,500
Post-Consolidation NurExone options on a 1:17 basis	3,822,195
Share options outstanding as of December 31, 2021	3,834,695
Grant of NurExone options on January 23, 2022	374,000
Cancellation of NurExone options on March 30, 2022	(44,200)
Expiry of EnerSpar options on May 4, 2022	(12,500)
Share options outstanding as at September 30, 2022	4,151,995

(*) After giving effect to the Share split. All share options at an exercise price of CAD \$0.80.

D. Warrants

A summary of the change in the share purchase warrants outstanding during the period ended September 30, 2022, is as follows:

		Outstanding (*)	Weighted-average exercise price (CAD\$)
Outstanding warrants as at December 31, 2021		11,851,172	0.80
Issued warrants of NurExone Convertible Notes Offering	(1)	282,599	1.20
Exercised NurExone warrants to share Offering	(2)	(3,927,000)	0.005
Issued warrants of EnerSpar Subscription Receipts Offering	(3)	4,551,814	1.20
Issued warrants of NurExone Private Placement Offering	(4)	2,465,221	1.20
Outstanding warrants as at September 30, 2022		15,223,806	1.20

(*) After giving effect to the Share split.

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

NOTE 5 – SHAREHOLDERS’ EQUITY (CONT.):

D. Warrants (cont.)

Following the acceptance of the RTO on June 20, 2022 ("the RTO acceptance date"), and pursuant to the Securities Exchange Agreement, all ordinary shares, warrants, and options of NurExone Ltd were exchanged for instruments of the Company on a 17:1 post-Consolidation basis. Following the RTO, the warrants do meet the fixed-to-fixed criteria under IAS 32 and therefore the warrants’ liability classified as warrants equity as of the securities exchange date.

- (1) Convertible Notes Offering - prior to the filed filing statement dated May 12, 2022, the Convertible Notes and accrued interest thereon were converted on April 30, 2022 ("conversion date"), into a total of 2,684,249 Common Shares and 1,374,573 Common Share purchase warrants at an exercise price of CAD \$1.20 per warrant. A total of 1,091,974 Common Share purchase warrants as of December 31, 2021, and 28,406 Common Share purchase warrants as of the conversion date were re-measured at a fair value of \$58. An additional 254,193 Common Share purchase warrants issued pursuant to the NurExone convertible notes, as of the conversion date, were accounted at first at a fair value of \$19, as of the RTO acceptance date. A total Common Share purchase warrants derivative amount of \$77 was allocated as warrants equity (Note 4).
- (2) Refer to Note 5 (B)(1) with respect to exercised 3,927,000 Common Share purchase warrants to Common Shares.
- (3) Subscription Receipts Offering - the Subscription Receipts have been converted for a total of 4,551,814 Common Shares at a share price of CAD \$0.80 and 4,551,814 Common Share purchase warrants with an exercise price of CAD \$1.20 per warrant. The warrants were accounted at first at a fair value of \$343 as warrants equity (Note 4).
- (4) Private Placement Offering - issued 2,465,221 Common Share purchase warrants in April 2022, were accounted at a fair value of \$175 (Note 4).

NOTE 6 - SUBSEQUENT EVENTS:

On November 7, 2022, the TSXV approved an issuing at a premium over the current Common Share price to settle certain EnerSpar’s debts prior to RTO. The Company offered 170,195 Common Shares at a deemed price of CAD \$0.80 per share to settle indebtedness of CAD \$136 thousand owed to certain senior officers, directors, creditors, and consultants of EnerSpar. In addition, the TSXV approved additional securities for debt settlement to settle additional debts in the amount of CAD \$75 thousand with the issuance of 178,571 Common Shares of the Company at a deemed price of CAD \$0.42 per share. These debts were incurred during the recent RTO. Further to the customary conditions and the TSXV approval, the issued Common Shares are subject to a four-month plus one-day hold period pursuant to the policies of the TSXV.