

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 22, 2023.

NUREXONE BIOLOGIC INC.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2023

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	9-16

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,143	\$ 2,463
Restricted deposit	54	54
Other receivables	82	175
	<hr/>	<hr/>
<u>Total current assets</u>	1,279	2,692
NON-CURRENT ASSETS:		
Property, plant and equipment, net	96	51
Right-of-use assets	36	51
	<hr/>	<hr/>
<u>Total non-current assets</u>	132	102
	<hr/>	<hr/>
<u>Total assets</u>	\$ 1,411	\$ 2,794
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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>2023</u>	<u>December 31,</u> <u>2022</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade accounts payable	\$ 306	\$ 232
Other accounts payable	48	46
Employees and payroll accruals	269	305
	<u>623</u>	<u>583</u>
NON-CURRENT LIABILITIES:		
Royalty payments	64	95
Lease liability	3	20
	<u>67</u>	<u>115</u>
EQUITY:		
Share capital	*	*
Additional paid-in capital and other reserves	12,156	11,250
Warrants reserve	1,137	930
Foreign currency translation reserve	(60)	(73)
Share-based payment reserve	808	407
Accumulated Deficit	(13,320)	(10,418)
	<u>721</u>	<u>2,096</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 1,411</u>	<u>\$ 2,794</u>

* Represents an amount lower 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>November 22, 2023</u>
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)

	Nine months period ended September 30,		Three months period ended September 30,	
	2023	2022	2023	2022
Research and development expenses	\$ 1,232	\$ 1,006	\$ 402	\$ 422
General and administrative expenses	1,709	3,694	762	566
Listing expenses	-	2,078	-	39
Operating loss	2,941	6,778	1,164	1,027
Finance (income) expenses, net	(39)	377	(6)	14
Net loss	2,902	7,155	1,158	1,041
<u>Other comprehensive (income) loss:</u>				
<u>Items that may be reclassified to profit or loss:</u>				
Exchange gains arising on translation of foreign operations	91	-	29	-
<u>Items that will not be reclassified to profit or loss:</u>				
Gain (loss) from foreign currency translation adjustments	(104)	96	(53)	57
Total comprehensive loss	\$ 2,889	\$ 7,251	\$ 1,134	\$ 1,098
Net loss per share:				
Basic and diluted loss per share	\$ 0.066	\$ 0.201	\$ 0.026	\$ 0.030
Weighted average number of common shares - basic and diluted *				
	43,533,560	36,086,385	43,533,560	36,086,385

* The share split has been retroactively presented in all periods. (Note 1(A)).
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, 2023	42,855,159	\$ -	\$ 11,250	\$ 407	\$ 930	\$ (73)	\$ (10,418)	\$ 2,096
<u>Changes during the period:</u>								
Net loss	-	-	-	-	-	-	(2,902)	(2,902)
Other comprehensive loss	-	-	-	-	-	13	-	13
Net loss and total comprehensive	-	-	-	-	-	13	(2,902)	(2,889)
Expired warrants (Note 3(C))	-	-	107	-	(107)	-	-	-
Amended warrants (Note 3(C))	-	-	11	-	(11)	-	-	-
Expired options (Note 3(B))	-	-	51	(51)	-	-	-	-
Share-based compensation	-	-	-	452	-	-	-	452
Issuance of common shares to private placement investors, net **	5,394,548	-	737	-	325	-	-	1,062
Balance as of September 30, 2023	48,249,707	\$ -	\$ 12,156	\$ 808	\$ 1,137	\$ (60)	\$ (13,320)	\$ 721

* Represents an amount lower than \$0.5.

** Includes issuance expenses of \$25.

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	2,536,000	\$ -	\$ 3,257	\$ 174	\$ -	\$ (5)	\$ (2,249)	\$ 1,177
<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)
Fair value of reverse takeover	22,290,519	-	1,605	-	-	-	-	1,605
Exercised warrants	3,927,000	-	16	-	-	-	-	16
Expiry of full-ratchet protection	-	-	115	-	-	-	-	115
Share-based compensation	-	-	-	207	-	-	-	207
<u>Issuance of common shares to:</u>								
Subscription receipts investors, net **	4,551,814	-	2,613	-	343	-	-	2,956
Private placement investors	2,465,221	-	854	-	-	-	-	854
Reclassification of warrants liability to warrant equity in respect of the private placement	-	-	-	-	510	-	-	510
Convertible notes investors	2,684,249	-	1,171	-	18	-	-	1,189
Reclassification of warrants liability to warrant equity in respect of the convertible notes	-	-	-	-	59	-	-	59
Founders, consultants, and creditors	3,929,160	-	1,270	-	-	-	-	1,270
Balance as of September 30, 2022	42,383,963	\$ -	\$ 10,901	\$ 381	\$ 930	\$ (101)	\$ (9,404)	\$ 2,707

* Represents an amount lower than \$0.5.

** Includes issuance expenses of \$139.

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 period ended September 30, 2023	Nine months period ended September 30, 2022
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,902)	\$ (7,155)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	30	5
Share-based compensation	452	207
Interest expenses on convertible notes	-	30
Revaluation of financial derivatives	-	285
Revaluation of royalty payments	9	56
Compensation for consultants through share issuance	-	1,689
Reserve Takeover	-	1,847
Changes in operating assets and liabilities:		
Increase (decrease) in employees and payroll accruals	(54)	109
Decrease (increase) in other receivables	68	(133)
Decrease in other payables	89	1
Net cash used in operating activities	<u>(2,308)</u>	<u>(3,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment, net	(53)	(58)
Restricted cash, net	-	(37)
Net cash used in investing activities	<u>(53)</u>	<u>(95)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of subscription receipts	-	1,027
Proceeds from the issuance of private placement	737	1,091
Proceeds from the issuance of convertible notes	-	111
Proceeds from warrants reserve	325	306
Reverse Takeover (Appendix A)	-	1,677
Payment of lease liabilities	(20)	(15)
Net cash provided by financing activities	<u>1,042</u>	<u>4,197</u>

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

	Nine months period ended September 30, 2023	Nine months period ended September 30, 2022
Effect of exchange rate changes on cash	(1)	(106)
Net (decrease) increase in cash	(1,320)	937
Cash at the beginning of the period	2,463	2,214
Cash at the end of the period	\$ 1,143	\$ 3,151
 SIGNIFICANT NON-CASH ACTIVITIES:		
Expiry of full-ratchet protection	\$ -	\$ 115
Issuance expenses	\$ 25	\$ 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.

Appendix A – Reverse Takeover:

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

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

NOTE 1 - GENERAL:

A. Nature and continuance of operations

NurExone Biologic Inc. (formerly EnerSpar Corp. or “**EnerSpar**”) (the “**Company**” or “**NurExone**”) is a publicly-traded company with a registered office located at Suite 1600, 1 First Canadian Place, 100 King Street West, Toronto, ON M5X 1G5, Canada. The Company and its business as presented are the results of the Reverse Takeover Transaction (“**RTO**”) of EnerSpar by NurExone Biologic Ltd (the “**Subsidiary Company**” or “**NurExone Ltd**”), a pharmaceutical business incorporated in Israel in June 2020.

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

On June 15, 2022, the Company (formerly EnerSpar) completed the RTO with NurExone Ltd. The common shares in the capital of the Company (“**Common Shares**”) were consolidated with each of the 10 pre-consolidation Common Shares being exchanged for 1 post-consolidation common share.

NurExone is developing a revolutionary treatment for the reversal or reduction of paralysis following Spinal Cord Injury (“**SCI**”) using Exosomes (membrane-bound extracellular vesicles). This technology, subject to conducting clinical trials and receiving Food and Drug Administration approval, can be used in various conditions such as SCI, traumatic brain injury, and potentially other brain and neurological indications.

The functional currency of the Company is the Canadian dollar, and the functional currency of the Subsidiary Company is the New Israeli Shekel, which was decided using the principal currency of the primary economic environment in which the Subsidiary Company operates. References to the symbol “CAD\$” means the Canadian dollar, and “NIS” means the New Israeli Shekel. Except as otherwise set out herein, all amounts expressed herein are in thousands and are in the currency of the United States, denominated by “\$” or “US\$”.

B. Going Concern

Since its inception, the Company has been in the research and development stage and has incurred losses with no expectation for any revenue in the near future.

As of September 30, 2023, the Company had cash of \$1,143 (December 31, 2022 - \$2,463).

The Company had an accumulated deficit of \$13,320 as of September 30, 2023, (December 31, 2022 - \$10,418).

Management believes the Company may not have sufficient funds to cover planned operations throughout the next twelve months.

Management may secure additional financing through the issue of new equity and/or debt; however, there is no assurance that these initiatives will be successful. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. This could result in adjustments to the amounts and classifications of assets and liabilities in the Company's unaudited condensed interim consolidated financial statements.

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

NOTE 1 – GENERAL (CONT.):

C. Completion of Private Placement

On September 6, 2023, the Company completed a non-brokered private placement (the “**Private Placement**”) in two tranches. In the aggregate, the Company issued and sold 5,394,548 Units (each a “**Unit**”) at a price of CAD \$0.275 per Unit for aggregate proceeds of \$1,087 (CAD\$1,484) under the Private Placement.

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

D. Significant events during the reporting period

- (1) On July 3, 2023, NurExone Ltd amended the lab services agreement with the Technion Research & Development Foundation Ltd. (“**TRDF**”) from July 1, 2023, until September 30, 2023, for a total payment of \$20 plus 17% VAT. (Note 4).
- (2) On July 6, 2023, Dr. Gadi Riesenfeld was appointed to the board of directors of the Company, replacing Mr. Ron Mayron, who resigned for personal reasons.
- (3) On August 17, 2023, the Company engaged Stockhouse Publishing Ltd. (“**Stockhouse**”) to provide investor awareness and digital media communication services to the Company. Stockhouse will be paid an aggregate cash amount of \$89 (CAD\$120 plus 5% GST) for its services over a twelve-month period.
- (4) On August 29, 2023, the Company entered into an investor relations agreement with Dr. Reuter Investor Relations GmbH (“**Dr. Reuter**”) to assist with investor relations and financial publication services for the European capital markets. The Agreement began on September 1, 2023, and runs for a minimum of six months, until February 29, 2024. Dr. Reuter will be paid a monthly fee of \$4 (€3.3).
- (5) On September 7, 2023, the Company engaged 9456015 Canada Ltd. (“**Canada Ltd**”) to provide the following services to the Company: Strategic Planning and Market Analysis, Financial Management and Capital Strategy, and Business Development and Partnering.

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

NOTE 1 – GENERAL (CONT.):

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

Pursuant to the terms of the agreement, Canada Ltd will be paid an aggregate cash amount of \$223 (CAD\$300 plus 13% HST) for its services. Services will be provided in two seven-week sessions, commencing immediately upon payment of the retainer and at the Corporation's discretion within twelve weeks from the end of the first session.

- (6) On September 18, 2023, the Company amended the Advisory Agreement with Thesis Capital Inc ("Thesis"). Thesis provides investor relations and advisory services to the Company. Pursuant to a consulting agreement, Thesis will be paid a monthly retainer of \$4 (CAD\$5.5 plus 13% HST). This agreement shall continue for an initial term of nine months.
- (7) On September 21, 2023, the Company was awarded \$274 (1 million NIS), grant by the Israel Innovation Authority ("IIA") as part of the Israel-Canada bilateral Eureka program subject to several conditions and fulfillment of additional documents. The grant is for collaboration with Canada-based Inteligex Inc. ("Inteligex") to develop an innovative hybrid therapy tailored for the complex chronic spinal cord injury market which as of the financial statement issuance date hasn't been received yet. The awarded grant will fund the first year, starting January 2024, for a twelve-month period, amounting to a project budget of \$670 (2.45 million NIS). The company is required to remit royalties from future sales of products and services that stem from technology developed using the granted funds. The two-year collaborative partnership with Inteligex has an overall budget of \$1,830; the second-year budget will be requested at a later stage following the completion of the first year.

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, 2023, are presented in United States dollars. The functional currency of the Company is the Canadian dollar, and the functional currency of the Subsidiary Company is the New Israeli Shekel, which was decided using the principal currency of the primary economic environment in which the Subsidiary Company operates.

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, 2022.

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, 2022.

The unaudited condensed interim consolidated financial statements were approved by the Company's board of directors on November 22, 2023.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Initial and early application of new accounting standards and interpretations in the reporting standards

Amendments to IAS 8, Accounting Policies, Change in Accounting Estimates and Errors

On February 11, 2021, the IASB issued amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to clarify how to distinguish changes in accounting policies, which must be applied retrospectively, from changes in accounting estimate, which are accounted for prospectively. The amendments clarify the definition of accounting estimates as "monetary amounts in the financial statements that are subject to measurement uncertainty". The amendments clarify that a change in accounting estimate is a change in input or a change in a measurement technique used to develop an accounting estimate if they do not result in the correction of a prior period error. The adoption of the amendments as of January 1, 2023, did not have an impact on the Company's financial statements.

NOTE 3 – SHAREHOLDERS' EQUITY:

A. Share capital

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

	Authorized as of		Issued and outstanding as of	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Consolidated Common Shares without a nominal par value	Unlimited	Unlimited	48,249,707	42,855,159

Changes in the number of issued Common Shares from December 31, 2022, to September 30, 2023, are as follows:

	Number of Common Shares
Issued and outstanding as of December 31, 2022	42,855,159
Issued Common Shares ⁽¹⁾	5,394,548
Issued and outstanding as of September 30, 2023	48,249,707

(1) Issuance of 5,394,548 Common Shares on September 6, 2023, pursuant to completion of a non-brokered private placement. (Note 1(C)).

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

NOTE 3 – SHAREHOLDERS’ EQUITY (CONT.):

B. Incentive Share Option Plan

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

On July 12, 2023, the implementation of the Amended Options took effect, following the Israel Tax Authority’s ruling approval.

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

NOTE 3 – SHAREHOLDERS’ EQUITY (CONT.):

B. Incentive Share Option Plan (cont.)

The following table reconciles the movement in options and RSUs outstanding at the beginning and end of the period:

	2023		2022	
	Number of Options ⁽¹⁾	Weighted-average exercise price	Number of Options ⁽¹⁾	Weighted-average exercise price
Outstanding as of January 1	4,058,495	CAD \$0.80	3,834,695	CAD \$0.80
Granted Options	1,578,020	CAD \$0.28	374,000	CAD \$0.80
Granted RSUs	1,275,000	-	-	-
Expired Options	(287,300)	CAD \$0.80	(12,500)	CAD \$0.80
Forfeited Options	(156,900)	CAD \$0.80	(44,200)	CAD \$0.80
Outstanding as of September 30	6,467,315	CAD \$0.25	4,151,995	CAD \$0.80
Exercisable as of September 30	4,221,727	CAD \$0.32	1,710,370	CAD \$0.80

(1) The share split has been retroactively presented in all periods. (Note 1(A)).

The share-based compensation for the nine-month period ended September 30, 2023, was \$452 as compared to the same period ended in 2022, being \$207, and for the three-month period ended September 30, 2023, was \$103 as compared to the same period ended in 2022, being \$32.

C. Common Share purchase warrants

As of December 31, 2022, an aggregate of 15,223,806 Common Share purchase warrants ("**Warrants**") were issued and outstanding. Each Warrant is exercisable for one (1) Common Share per Warrant at an exercise price of CAD \$1.20 per Common Share.

On June 2, 2023, an aggregate of 1,408,076 Warrants expired unexercised at an exercise price of CAD \$1.20 per Common Share, which were accounted at a fair value of \$47.

On August 27, 2023, an aggregate of 1,133,390 Warrants expired unexercised at an exercise price of CAD \$1.20 per Common Share, which were accounted at a fair value of \$60.

On September 6, 2023, the Company issued 5,394,548 Warrants, pursuant to the completion of Private Placement, which were accounted at a fair value of \$324. (Note 1(C)).

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

NOTE 3 – SHAREHOLDERS’ EQUITY (CONT.):

C. Common Share purchase warrants (cont.)

On September 22, 2023, the TSXV approved the amendment of 12,682,340 Warrants. The amendments (“**Amendments**”) consisted of (i) a reduction of the exercise price of all Warrants from CAD \$1.20 per common share to CAD \$0.38 per common share (“**Amended warrants**”); (ii) the extension of the expiry date of 1,419,500 Warrants from November 30, 2023, to June 15, 2024; (iii) the extension of the expiry date of 283,322 Warrants from December 30, 2023, to June 15, 2024; (iv) the remainder of the 10,979,518 Warrants in the aggregate expire on June 15, 2024; and (v) the addition of an accelerated expiration date to all Warrants (the “**Accelerated Expiration**”), such that if the closing price of the Company’s common shares trading on the TSX Venture Exchange exceeds CAD \$0.475 per common share for any ten consecutive trading days (“**Acceleration Event**”), the expiration date of the Warrants will be automatically accelerated to the date that is thirty days following the Acceleration Event. Following the Amendments, each Warrant is exercisable for one common share of the Company at a price of CAD \$0.38 per common share at any time prior to June 15, 2024, subject to the Accelerated Expiration.

The amended warrants of 12,682,340, have been reassessed and accounted at a fair value of \$812, as of September 30, 2023, compared to a previous assessment, which accounted at a fair value of \$823.

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

	2023		2022	
	Number of Warrants	Weighted-average exercise price	Number of Warrants ⁽¹⁾	Weighted-average exercise price
Outstanding as of January 1	15,223,806	CAD \$1.20	11,851,172	CAD \$0.80
Issued warrants ⁽²⁾	2,697,274	CAD \$0.34	7,299,634	CAD \$1.20
Issued warrants ⁽²⁾	2,697,274	CAD \$0.48	-	-
Exercised warrants	-	-	(3,927,000)	CAD \$0.005
Expired warrants ⁽³⁾	(2,541,466)	CAD \$1.20	-	-
Outstanding and exercisable as of September 30	18,076,888	CAD \$0.39 ⁽⁴⁾	15,223,806	CAD \$1.20

(1) After giving effect to the Share split.

(2) Pursuant to the completion of the Private Placement on September 6, 2023, the Company issued an aggregate of 5,394,548 warrants, as follows: (i) 2,322,274 and 375,000 warrants expire on August 25, 2025, and September 6, 2025, respectively, at an exercise price of CAD \$0.34 per Common Share (ii) 2,322,274 and 375,000 warrants expire on August 25, 2026, and September 6, 2026, respectively, at an exercise price of CAD \$0.48 per Common Share. (Note 1(C)).

(3) An aggregate of 2,541,466 warrants expired unexercised at an exercise price of CAD \$1.20 per Common Share, as follows: 1,408,076 and 1,133,390 warrants expired on June 2, 2023, and August 27, 2023, respectively.

(4) A total of 18,076,888 outstanding warrants, which includes 12,682,340 amended warrants, from an exercise price of CAD \$1.20 to CAD \$0.38 per Common Share, which expire on June 15, 2024 (Note 3(C)).

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

NOTE 4 – RELATED PARTIES:

Related Party

The company engages in transactions and maintains financial balances with TRDF, a pivotal vendor and primary shareholder. As of September 30, 2023, TRDF holds 3,927,000 Common Shares, constituting 6% on a fully diluted Common Shares and Warrants basis.

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

<u>Assets related to related party transactions</u>	September 30, 2023	December 31, 2022
Other receivables	\$ -	\$ 65
	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities related to related party transactions</u>	September 30, 2023	December 31, 2022
Other account payables	\$ 70	\$ -
	<hr/> <hr/>	<hr/> <hr/>
<u>Expenses</u>	Nine months period ended September 30, 2023	Nine months period ended September 30, 2022
Transactions	\$ 283	\$ 233
	<hr/> <hr/>	<hr/> <hr/>

NOTE 5 - SUBSEQUENT EVENTS:

- (1) On October 7, 2023, an attack was launched against Israel, which thrust Israel into a state of war. The company is continuing with its operations in Israel, with certain non-significant restrictions. The Company continues to assess the effects of the state of war on its financial statements and business.
- (2) On October 15, 2023, NurExone Ltd amended the lab services agreement with TRDF, from October 1, 2023, until December 31, 2023, for a total payment of \$20 plus 17% VAT.
- (3) On November 20, 2023, the Company entered into a Business Development Consulting Agreement with 2855322 Ontario Inc., for a total rate fee of \$45 (CAD\$60 plus 5% BC Tax) for a nine-month period.