NUREXONE BIOLOGIC LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2022

UNAUDITED

NUREXONE BIOLOGIC LTD.

TABLE OF CONTENTS

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

	March 31, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,562	$ 2,214
Restricted deposit	19	19
Due from shareholders with respect to shares issuance	-	451
Other receivables	186	152
Total current assets	**1,767**	**2,836**
TOTAL ASSETS	**$ 1,767**	**$ 2,836**

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

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

	March 31 2022	December 31, 2021
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Other payables	$ 367	$ 346
Convertible notes	1,081	1,043
Derivatives	130	242
Total current liabilities	**1,578**	**1,631**
NON-CURRENT LIABILITIES:		
Royalty payments to TRDF	63	28
Total non-current liabilities	**63**	**28**
EQUITY:		
Share capital	52	39
Foreign currency translation reserve	-	(5)
Additional paid-in capital and other reserves	4,345	3,218
Share-based payment reserve	293	174
Accumulated losses	(4,564)	(2,249)
Total equity	**126**	**1,177**
TOTAL LIABILITIES AND EQUITY	**$ 1,767**	**$ 2,836**

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

"Yoram Drucker"	*"Dr. Lior Shaltiel"*	May 30, 2022
Yoram Drucker Chairman of the board	Dr. Lior Shaltiel Director and CEO	Date of approval of the Financial statements

NUREXONE BIOLOGIC LTD.
UNAUDITED CONDENSED INTERIM STATEMENTS
OF COMPREHENSIVE LOSS
(U.S. Dollars in thousands)

	Three months ended March 31,	
	2022	**2021**
Research and development expenses	$ 281	$ 82
General and administrative expenses	1,947	14
Operating loss	**2,228**	**96**
Finance expenses, net	87	-
Net loss	**2,315**	**96**
Other comprehensive loss:		
Items that will be reclassified subsequently to profit or loss:		
Income from foreign currency translation adjustments	(5)	(9)
Total comprehensive loss	**$ 2,310**	**$ 87**
Net loss per share	$ 1.50	$ 0.11
Weighted average number of ordinary shares	1,545,535	849,313

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

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

	Number of shares	Ordinary share capital	Additional paid-in capital and other reserves	Share-based payments reserve	Foreign currency translation reserve	Accumulated losses	Total
Balance as at January 1, 2022	**1,311,207**	**$ 39**	**$ 3,218**	**$ 174**	**$ (5)**	**$ (2,249)**	**$ 1,177**
Net loss	-	-	-	-	-	(2,315)	(2,315)
Other comprehensive income	-	-	-	-	5	-	5
Total comprehensive income (loss)	-	-	-	-	5	(2,315)	(2,310)
Warrants exercised by TRDF	231,000	7	9	-	-	-	16
Expiry of full-ratchet protection	-	-	109	-	-	-	109
Share-based compensation	-	-	-	119	-	-	119
Issuance of ordinary shares to investors, net of issuance expenses of $57	180,148	6	1,009	-	-	-	1,015
Balance as at of March 31, 2022 (unaudited)	**1,722,355**	**$ 52**	**$ 4,345**	**$ 293**	**$ -**	**$ (4,564)**	**$ 126**

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

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

	Number of shares	Ordinary share capital	Additional paid-in capital and other reserves	Foreign currency translation reserve	Accumulated losses	Total
Balance as at January 1, 2021	**849,313**	**$ 24**	**$ 649**	**$ (10)**	**$ (602)**	**$ 61**
Net loss	-	-	-	-	(96)	(96)
Other comprehensive income	-	-	-	9	-	9
Total comprehensive loss	-	-	-	9	(96)	(87)
Balance as at of March 31, 2021 (unaudited)	**849,313**	**$ 24**	**$ 649**	**$ (1)**	**$ (698)**	**$ (26)**

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

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (2,315)	$ (96)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	119	-
Increase in other receivables	(37)	(25)
Revaluation of financial derivatives	5	-
Interest expenses on convertible loans	23	-
Revaluation of Royalty payments to TRDF	35	-
Increases (decrease) in other payables	75	(109)
Net cash used in operating activities	**(2,095)**	**(230)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares and warrants, net of issuance costs (Note 4)	1,478	360
Net cash provided by financing activities	**1,478**	**360**
Effect of exchange rate changes on cash	**(35)**	**(4)**
Net (decreases) increase in cash	**(652)**	**126**
Cash at the beginning of the period	**2,214**	**2**
Cash at the end of the period	**$ 1,562**	**$ 128**
SIGNIFICANT NON-CASH ACTIVITIES:		
Account receivable in associate with the issuance of ordinary shares	$ -	$ 4
Expiry of full-ratchet protection	$ 109	$ -
Issuance expenses	$ 41	$ -

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

NOTE 1 - GENERAL:

NurExone Biologic Ltd. (the "Company") commenced its operations in May 2020 ("Inception") and registered in Israel on June 17, 2020. The Company's office is located at 9 Mezada St, BSR 3 Tower, 30 Fl., 5120109, Bnei-Brak, Israel. 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 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.

Going concern

The Company is in a development stage, has incurred recurring losses, has not generated any revenues, and expects to continue to fund its operations by raising adequate funds in the foreseeable future. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The transaction

In April 2021, the Company signed a Letter of Intent (LOI) with Enerspar Corp. ("ENER"), a public company listed on the TSX-Venture Exchange. The LOI outlines the proposal by Enerspar, which agreed to acquire all of the issued and outstanding securities of NurExone Ltd., with the intention that such acquisition will constitute a "Reverse Takeover" of ENER by a target ("RTO").

On August 23, 2021, EnerSpar and NurExone entered into the Definitive Agreement, which supersedes the prior binding Letter of Intent, pursuant to which the parties have agreed to complete the transaction on the terms set out therein. The Transaction is subject to a number of conditions precedent, including receipt of all regular approvals with respect to the Transaction and the listing of the resulting issuer's common shares on the Exchange.

On January 3, 2022, the Company entered into an arm's length securities exchange agreement with ENER ("Securities Exchange Agreement") to complete a "Reverse Takeover Transaction".

On February 7, 2022, an annual and special meeting of shareholders was held and approved the following matters, among others, as follows: (i) The board of Directors of the company resulting from the Proposed Transaction will consist of seven directors with the proposed nominated by the Company. (ii) The name of the Resulting Issuer will be changed to "NurExone Biologic Inc." (iii) Amended and restated stock option plan of the Resulting Issuer.

On April 12, 2022, the Company and ENER signed an Amending Agreement to the Securities Exchange Agreement, to define "NurExone CLA" and "NurExone Private Placement" (Note 5).

Prior to completion of the Proposed Transaction, all of the existing assets, liabilities, and operations of ENER will be placed into a new subsidiary company, and the shares of the new subsidiary will be distributed to ENER's existing shareholders. ENER will acquire each ordinary share of the Company in exchange for 17 post-consolidation ENER shares from the treasury (the "Consideration Shares"). Existing common share purchase warrants of NurExone inclusive of NurExone Warrants issuable on the NurExone Financing and stock options

NOTE 1 – GENERAL (CONT.):

and other rights to acquire securities of NurExone will be exchanged for like securities of EnerSpar on a 17 Post-Consolidation (as herein defined) for one basis.

In connection with the Proposed Transaction, the Company, and EnerSpar have filed its filing statement dated May 12, 2022 (the "Filing Statement"), on the Company's SEDAR profile.

On May 17, 2022, the TSX Venture Exchange has conditionally accepted the previously announced reverse takeover transaction (the "RTO") of EnerSpar pursuant to a securities exchange agreement dated as amended on January 3, 2022, and amending agreement dated April 12, 2022, with NurExone and its security holders.
Assuming all conditions are satisfied, the Company and NurExone anticipate the closing of the Proposed Transaction will occur within the next 30 days, and that the trading of the Resulting Issuer's common shares will commence shortly thereafter. The Company will issue a further press release once the Exchange issues its bulletin announcing its final acceptance of the Proposed Transaction and the date that trading of the common shares of the Resulting Issuer is expected to commence on the Exchange. The Resulting Issuer's trading symbol on the TSXV is expected to be "NRX".
Completion of the Proposed Transaction is subject to a number of conditions including, but not limited to: (i) receipt of all regulatory, stock exchange, court or governmental approvals, authorizations and consents; (ii) the absence of any material change or a change in material fact or a new material fact affecting EnerSpar or NurExone; (iii) the completion of the Consolidation and the Name Change; and (iv) the Company having completed a court approved arrangement (the "Arrangement") pursuant to the Business Corporations Act (Alberta), pursuant to which, among other things, all of the existing assets and operations of EnerSpar will have been placed into a new subsidiary company, and the shares of the new subsidiary will be distributed to EnerSpar's existing shareholders.

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 interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The unaudited interim condensed financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021. The functional currency of the Company is the New Israeli Shekel due to the fact that most of the Company's costs are dominated in New Israeli Shekel. The interim condensed financial statements are reported in US Dollars.

Significant accounting policies

The company has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2021 annual financial statements.

(U.S. Dollars in thousands)

NOTE 3 – SIGNIFICANT EVENTS DURING THE REPORTING PERIOD:

1. In January 2022, the Company issued 22,000 options for employees and consultants (Note 4(D)1).
2. In February 2022, TRDF fully exercised 231,000 warrants at a share price of CAD $0.085 (Note 4(C)2).
3. In March 2022, the Company signed an Amendment to Commercial Services Agreement from May 2021, with Dolos Consulting Ltd. In consideration of PR services provided by Dolos, Company shall pay in accordance with the following payment terms and schedule: (i) The Company has issued 25,000 shares. (ii) From April 2022 to December 2022, Dolos will be entitled to a monthly retainer of $20, for a total cash consideration of $180.
4. In March 2022, board member Gabriel Eldor resigned from the board of the Company (Note 4(D)2).
5. In Jan - Mar 2022, the Company issued 163,480 services shares at a share price of USD $6.00 (Note 4(C)3).
6. In Jan - Mar 2022, the Company issued 16,668 shares at a price of USD $6.00 (Note 4(C)1).
7. From January to April 2022, the Company completed a private placement financing for (i) gross proceeds of $970 of NurExone Private Placement Units and (ii) gross proceeds of CAD $3,642 thousand of EnerSpar Subscription Receipt to be held in escrow until the closing of the Proposed Transaction, and (iii) aggregate gross proceeds of CAD $1,584 thousand of NurExone CLA offering (Note 5).

NOTE 4 – EQUITY AND DEBT:

A. Share capital

Ordinary shares of NIS 0.1 par value, as follows:

	Authorized		Issued and paid	
	March 31	December 31	March 31	December 31
	2022	2021	2022	2021
Number of ordinary shares	5,000,000	5,000,000	1,722,355	1,311,207

B. Warrants

The number of outstanding warrants exercisable to ordinary shares is as follows:

	Outstanding Warrants		Weighted-average exercise price	
	March 31	December 31	March 31	December 31
	2022	2021	2022	2021
Outstanding at the beginning of the period	697,126	231,000	CAD $13.60	CAD $0.085
Issuance of warrants in June 2021	-	82,828	-	CAD $20.40
Issuance of warrants in Aug-Dec 2021	-	319,066	-	CAD $20.40
Issuance of warrants of CLA round (1)	1,254	64,232	CAD $20.40	CAD $20.40
Exercised warrants in February 2022 (2)	(231,000)	-	CAD $0.085	-
Issuance of warrants in Jan-Mar 2022 (3)	16,668	-	CAD $20.40	-
Balance at the end of the period	**484,048**	**697,126**	**CAD $20.40**	**CAD $13.60**

NOTE 4 – EQUITY AND DEBT (CONT.):

B. Warrants (cont.)

(1) In October 2021, the Company issued 8% bearing (non-compounded) annual interest CAD $1,422 thousand, convertible notes to 28 investors. The convertible notes shall not be redeemed in cash other than by-election of the Company or as a result of an event of default as set forth in the relating agreement. Upon an RTO but no later than September 30, 2022 (such date can be extended twice by three months each at the discretion of the convertible noteholders), the convertible notes will be automatically converted into ordinary shares at 20% and 25% discounts of the per-share price determined in the final offering/transaction documents and if none occurred, at a pre-money Company valuation of CAD $17 million, on a fully diluted, as-converted basis.
The convertible notes are convertible into NurExone Shares of 142,038 and NurExone warrants of 65,486 (prior to Consolidation and including interest) as of March 31, 2022, compared to 64,232 as of December 31, 2021, driven by the accrued interest.
Each NurExone CLA Warrant is exercisable into one (1) NurExone Share at a price of CAD $20.40 for a period of 24 months from the date of issue of the NurExone CLA Warrant. The NurExone CLA bears interest at the rate of 8% per annum and matures on May 23, 2023, subject to NurExone's right to force conversion immediately prior to the completion of the Proposed Transaction.
The warrants of the convertible notes were re-measured to a fair value of $145 as of March 31, 2022, compared to a fair value of $88 as of December 31, 2021, at the issuance date, based on fair value measurement by an independent third-party appraiser. The derivatives are categorized at level 3 of the fair value hierarchy. The convertible notes have been treated as hybrid financial instruments with an embedded derivative.

(2) In February 2022, TRDF fully exercised 231,000 warrants into shares (Note (C)2).

(3) In January - March 2022, the Company raised gross proceeds of $100 to an aggregate of 16,668 shares and 16,668 warrants (Note (C)1).

C. Funding

1. In January - March 2022, the Company raised gross proceeds of $100 to an aggregate of 16,668 shares at a price of USD $6.00 per NurExone unit ("NurExone Private Placement"). Each NurExone private placement unit consists of one (1) NurExone share and one (1) ordinary purchase warrant of NurExone, representing a conversion of post-consolidation, on a 17:1 basis to 283,356 EnerSpar shares at a price of CAD $0.80 and 283,356 EnerSpar warrants.

<u>EnerSpar Subscription Receipt</u>
In addition, the Company raised from the investors' gross proceeds of $102 (CAD $129 thousand) to an aggregate of 160,750 Subscription Receipts at a price of CAD $0.80 ("EnerSpar Subscription Receipt"). Each EnerSpar Subscription Receipts unit consists of one (1) EnerSpar share and one (1) ordinary purchase warrant of EnerSpar.

(U.S. Dollars in thousands)

NOTE 4 – EQUITY AND DEBT (CONT.):

C. Funding (cont.)

The exchange of the EnerSpar Subscription Receipts will be conditional upon the satisfaction of certain escrow release conditions including the completion of the Proposed Transaction and the receipt of all corporate, regulatory, and TSX-Venture Exchange approvals relating to the Proposed Transaction.
The warrants are exercisable for a period of 24 months to ordinary shares at a share price of CAD $20.40 (subject to completion of RTO, post-split of 17:1 at any time the share price of the traded Canadian company has exceeded CAD $2.0 on the Canadian Securities Exchange for up to 30 days).

<u>NurExone Warrants</u>
As of March 31, 2022, the warrants were valued by an independent third-party appraiser at $2 using the Black-Scholes model with the following key assumptions:
expected volatility – 45.4% and interest rate –2%, categorized at level 3 of the fair value hierarchy.

<u>NurExone Full Ratchet Protection</u>
The investors of the January - March 2022 round have full ratchet protection regarding additional investments in the company for one year following the effective date or at an IPO/a reverse merger with the public company – the earliest of (such period the "Full Ratchet Period"), which has been recorded as a derivative at fair value. The fair value of $5 as of March 31, 2022, was determined by an independent third-party appraiser, categorized at level 3 of the fair value hierarchy.

2. In February 2022, TRDF fully exercised 231,000 warrants at an exercise price of CAD $0.085 for total consideration of CAD $19 thousand.

3. In January - March 2022, the Company issued 163,480 as NurExone services shares to consultants for providing consulting services to the Company as a total consideration of $981, at a share price of USD $6.00.

D. Share-based compensation

	March 31, 2022		**December 31, 2021**	
	Num of Options	**Weighted Average Exercise price**	**Num of Options**	**Weighted Average Exercise price**
	No.	**USD**	**No.**	**USD**
Outstanding at the beginning of the period	224,835	CAD $13.60	-	-
Granted options in 2021	-	-	232,235	CAD $13.60
Canceled options in 2021	-	-	(7,400)	CAD $13.60
Granted options in 2022 (1)	22,000	CAD $13.60	-	-
Canceled options in 2022 (2)	(2,600)	CAD $13.60	-	-
Balance at the end of the period	**244,235**	**CAD $13.60**	**224,835**	**CAD $13.60**

NOTE 4 – EQUITY AND DEBT (CONT.):

D. Share-based compensation (cont.)

(1) In January 2022, the Company granted 22,000 options to employees and consultants. The options were granted at an exercise price of USD $10.88 (CAD $13.60), which represents a post-consolidation share on a 17:1 basis, at an exercise price of CAD $0.80. The vesting of the options is over a two-year period. The options were valued by an independent third-party appraiser at a fair value of CAD $2.54 per option, using the Black-Scholes model with the following key assumptions: share price – CAD $13.60, expected volatility – 45.6% and interest rate – 0.4%-0.5%, categorized at level 3 of the fair value hierarchy.

(2) On March 30, 2022, a Director of the Company resigned from the board of directors due to personal reasons, effective immediately. On August 26, 2021, the Company granted the director 7,600 options as a board member and 24,000 options as an employee of the company. According to the Board resolution, out of the 7,600 options: 1,900 are vested, 3,100 are approved to be accelerated immediately and 2,600 options are canceled. The options were granted at an exercise price of USD $10.88 (CAD $13.60), which represents a post-consolidation share on a 17:1 basis, at an exercise price of CAD $0.80.

NOTE 5 - SUBSEQUENT EVENTS:

1. <u>NurExone Private Placement Units (“NurExone Offering”)</u>
   Pursuant to the Agreement, NurExone has completed a private placement financing of $970 from January to April 2022, as expected to complete up to $1,263 at a share price of USD $6.00 per NurExone Unit:
   In April 2022, the Company issued several investors 145,013 ordinary shares at a share price of USD $6.00 and warrants exercisable for total considerations of $870. The warrants are valid for a period of 24 months at an exercise price of $20.4. The exercise of the warrants is subject to completion of RTO, post-split of 17:1 at any time the share price of the traded Canadian company has exceeded CAD $2.00 on the Canadian Securities Exchange for up to 30 days. Further to that, the investors have full ratchet protection regarding additional investments in the company for one year following the effective date or at an IPO/a reverse merger with the public company, the earliest of (such period the "Full Ratchet Period").

2. <u>EnerSpar Subscription Units (“EnerSpar Offering”)</u>
   Pursuant to the Agreement, NurExone has completed a private placement of CAD $3,642 thousand, as expected to complete up to 5,000,000 subscription receipts at a price of CAD $0.80 per EnerSpar Subscription Receipt for gross proceeds of up to CAD $4,000 thousand to be held in escrow until the closing of the Proposed Transaction.
   Further to NurExone’s offering from January to April 2022, the Company completed a private placement offering of the resulting issuer for total consideration of CAD $1,206 thousand.
   Prior to the closing of the Proposed Transaction, total gross proceeds of CAD $3,642 thousand of EnerSpar Subscription Receipt will be automatically exchanged, for no additional consideration, into a total of 4,551,814 units of EnerSpar.

NOTE 5 - SUBSEQUENT EVENTS (CONT.):

3. NurExone Convertible notes ("NurExone CLA offering")
   Pursuant to the Agreement, the company, the Company completed in April 2022 a CLA offering for a total consideration of CAD $162 thousand, as expected to complete up to CAD $378 thousand.
   The NurExone CLA is convertible into NurExone Shares and NurExone CLA Warrants at a price of CAD $10.88 and bears interest at the rate of 8% per annum. Each NurExone CLA Warrant is exercisable into one NurExone Share at a price of CAD $20.40 for a period of 24 months from the date of issue of the NurExone CLA Warrant, subject to NurExone's right to force conversion immediately prior to the Closing.
   Prior to the closing of the Proposed Transaction, assuming April 30, 2022, the total gross proceeds of CAD $1,584 thousand of NurExone CLA offering will be automatically exchanged, for no additional consideration, into a total of 2,684,249 shares and 1,374,573 warrants of EnerSpar.

4. On May 13, 2022, NurExone issued 67,647 NurExone shares to an arm's length financial advisor (Exiteam Capital Partners Ltd.) in connection with certain financial and advisory services related to the Proposed Transaction (the "Advisory Services Shares").