NurExone Biologic Inc

Management's Discussion and Analysis

For the year ended December 31, 2023

(Expressed in thousands of U.S. dollars)

Dated April 2, 2024

This Management's Discussion and Analysis **("MD&A")** relates to the operating results and financial position and cash flows of NurExone Biologic Inc. (the "**Company**" or "**NurExone**"), formerly EnerSpar Corp. ("**EnerSpar**"), and its wholly-owned subsidiary NurExone Biologic Ltd. (the "**Subsidiary Company**" or "**NurExone Ltd**"), a private company incorporated under the laws of Israel on June 17, 2020, as of and for the year ended December 31, 2023, and 2022. This analysis should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2023, and 2022 (the **"consolidated financial statements**").

The consolidated financial statements of the Company and extracts of those financial statements are provided in this MD&A in accordance with International Financial Reporting Standards ("**IFRS**"). References to the symbol "CAD$" mean the Canadian dollar, the functional currency of the Company. References to the symbol "NIS" mean the New Israeli Shekel, the functional currency of the Subsidiary Company. Except as otherwise set out herein, all amounts expressed herein are in thousands and are in the currency of the United States, denominated by "$" or "US$", as the Company aims to engage in research and development with the regulatory agency, the Food and Drug Administration (the "**FDA**"), and mainly operate in the United States. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts. Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear. Readers are cautioned that this MD&A contains certain forward-looking information. Please see the "Forward-Looking Statements" section that follows.

The information in this report is dated April 2, 2024. The consolidated financial statements and MD&A were approved by the Company's board of directors for filing on SEDAR+ on April 2, 2024.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, forward-looking statements can be identified by the use of words such as "may", or by such words as "will", "intend", "believe", "estimate", "consider", "expect", "anticipate", and "objective" and similar expressions or variations of such words. Forward-looking statements are, by their nature, not guarantees of the Company's future operational or financial performance and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects, or opportunities to differ materially from those expressed in, or implied by these forward-looking statements. No representation or warranty is intended with respect to anticipated future results, or that estimates or projections will be sustained.

Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as the factors we believe, are appropriate. Forward-looking statements in this MD&A include, but are not limited to, statements relating to: our ability to obtain funding for our operations, including funding for research and commercial activities; our business model and strategic plans; the success of research and development operations; our ability to develop and commercialize product candidates; our commercialization, marketing and manufacturing capabilities and strategy; our ability to leverage internal capabilities and know-how; our expectations regarding federal, provincial, and foreign regulatory requirements; whether we will receive, and the timing and costs of obtaining, regulatory approvals in the United States, Canada, Israel, and other jurisdictions; the therapeutic benefits, effectiveness, and safety of our product candidates; estimates of our expenses, future revenue, capital requirements and our needs for additional financing; and our expectations regarding market risk, including interest rate changes and foreign currency fluctuations.

In developing the forward-looking statements in the MD&A, the Company has applied several material assumptions, including the availability of financing on reasonable terms; our ability to secure available funding and to continue as a going concern; the general business and economic conditions of the industries and countries in which we operate; our ability to retain and supplement our board of directors and management and skilled employees, or otherwise engage consultants and advisors, having knowledge of the industries in which we

participate; our ability to engage and retain the employees or consultants required to grow our business; and our ability to execute on our business strategy.

Many risks, uncertainties, and other factors could cause the actual results of the Company to differ materially from the results, performance, achievements, or developments expressed or implied by such forward-looking statements. These risks, uncertainties, and other factors include, but are not limited to the following: those risk factors identified under the heading "Risks and Uncertainties"; the state of war in Israel and potential effects on the Company's operations; disclosed under the heading "Subsequent Events"; overall economic conditions; rapid technological changes; demand for our product; the introduction of competing technologies; competitive pressures; network restrictions; fluctuations in foreign currency exchange rates; and other similar factors that may cause the actual results, performance or achievements to differ materially from those expressed or implied in these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required pursuant to applicable securities law. All forward-looking statements contained in the MD&A are expressly qualified in their entirety by this cautionary statement.

COMPANY OVERVIEW

The Company is a reporting issuer in British Columbia, Alberta, and Ontario. The Company was incorporated under the laws of Alberta and has a registered office located at Suite 1600, 1 First Canadian Place, 100 King Street West, Toronto, ON M5X 1G5, Canada. The Company's common shares ("**Common Shares**") trade on the TSX Venture Exchange ("**TSXV**") under the symbol "NRX" and in Germany under the symbol "J90" on the Frankfurt Stock Exchange, German Composite, Stuttgart Stock Exchange, and Munich Stock Exchange.

The business of the Company underwent a fundamental change on June 15, 2022, with the closing of the reverse takeover transaction ("**RTO**"), as described herein. Prior to the RTO, the assets related to the former business of the Company, the exploration of the Johan Beetz feldspar project in Quebec, were dividended out to the former shareholders by way of a spin-out transaction of 1222150 BC Limited, which continued as an unlisted private company. The Company continued the business of NurExone Ltd following the RTO, being a pharmaceutical technology company that is developing an off-the-shelf, non-invasive unique, and novel treatment for the reversal or reduction of paralysis following Spinal Cord Injury ("**SCI**") using exosome-based (membrane-bound extracellular vesicles) patent-pending technology. The Company's research and development activities are based in Israel. The treatment is based on licensed technologies from two of Israel's leading universities, which have been proven in preclinical studies.

Research at the Technion and Tel-Aviv University was conducted between January 2017 and May 2020, including testing the use of intranasal administration of exosomes driven from mesenchymal stem cells loaded with PTEN siRNA. Testing targeted a complete spinal cord lesion in rats, successfully demonstrating significant functional recovery. The technology is successfully proven in a preclinical study, demonstrating that intranasal administration of ExoPTEN led to significant motor improvement, sensory recovery, and faster urinary reflex restoration. The Company has been granted an exclusive worldwide license from the Technion and Tel Aviv University, which includes a patent application, to develop and commercialize the technology.

Exosomes are natural membrane vesicles, secreted by various cells. They carry proteins, lipids, and genetic materials, facilitating intercellular communication. When intra-nasally administered, exosomes can pass the Blood-Brain Barrier and are better retained in injury sites than when delivered intravenously. Moreover, they can be loadable with an array of therapeutic cargos for specific diseases. It is expected that this technology, after being

approved in clinical trials, can be used in various conditions such as SCI, traumatic brain injury, and potentially other brain and neurological indications.

The Company has completed a Pre-Investigational New Drug ("**Pre-IND**") meeting with the FDA in connection with the manufacturing, preclinical, and clinical development plan of ExoPTEN, NurExone's first ExoTherapy product, after receiving a written response from the FDA on August 29, 2023.

A Pre-IND meeting offers open communication between applicants and the FDA, enabling the applicants to receive information regarding the preparation of an IND application and guidance for the clinical studies of the Company's ExoPTEN drug. The FDA provided clear and valuable guidance on the chemistry manufacturing and controls and agreed that our proposed ExoPTEN release testing strategy would be expected to adequately control for safety of the ExoPTEN product for use in the planned first-in-human clinical trial.

The FDA's response to the Company indicated that the planned toxicity study strategy is acceptable under FDA guidelines and large-scale animal studies will not be required. Based on the FDA's feedback, the Company plans to submit an IND application regarding the development of ExoPTEN by the second quarter of 2025 and expects to initiate Phase 1/2a human clinical studies in 2025.

ExoPTEN is being developed to be a minimally invasive ExoTherapy for SCI administrated intranasally and yielding neuron regeneration and rewiring in traumatically damaged spinal cords. The drug is being developed using NurExone's proprietary ExoTherapy platform for producing and loading exosomes with pharmaceutical cargo targeting central nervous system injuries.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

Significant developments for the twelve months period ended December 31, 2023

(1) 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 on the date that is up to 24 months following the date of the grant.

   (ii) 1,275,000 restricted shares units ("**RSUs**"), which are valued based on the Company's Common Share price 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 on the date that is 12 months following the date of the grant.

(2) 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.

(3) On October 7, 2023, an attack was launched against Israel, which thrust Israel into a state of war. As of the issuance date of the Company's MD&A, the state of war had no substantial impact on its operations or business results.

(4) On October 19, 2023, the Company appointed Professor Teo Forcht Dagi, a renowned neurosurgeon, life science venture capitalist, and professor at the Mayo Clinic Alix School of Medicine as well as at Queen's University Belfast, to its esteemed Scientific Advisory Board and Advisory Committee, for 24-months period, at a monthly fee of $0.75 (CAD$1) and a total of 130,000 Common Share purchase options at an exercise price of CAD$0.32. The options will vest over a period of two years.

Private Placement

On September 6, 2023, the Company completed a non-brokered private placement of units of the Company (each, a "**Unit**") in two tranches. In the aggregate, the Company issued and sold 5,394,548 Units at a price of CAD$0.275 per Unit for aggregate proceeds of $1,087 (CAD$1,484) under the private placement. Additionally, the private placement incurred $22 in transaction costs.

Each Unit consisted of (i) one Common Share; (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 "**Class A and B Warrants**"). 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 Class A and B 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 Class A and B Warrants are not exercised by the applicable accelerated expiry dates, the Class A and B Warrants will expire and be of no further force or effect.

All securities issued under the 2023 Private Placement were subject to a statutory hold period of four months and one-day following issuance.

Going Concern

The Company is in the research and development stage. The Company has incurred net losses each year since inception, including net loss of $3,639 and $8,169 for the years ended December 31, 2023, and 2022, respectively. As of December 31, 2023, the Company has an accumulated deficit of $14,057.

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 consolidated financial statements.

Reverse takeover of EnerSpar

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

Common Share. On June 20, 2022, the RTO was effected pursuant to the terms of a securities exchange agreement dated January 3, 2022, as amended on April 12, 2022. Pursuant to the securities exchange agreement, the Company acquired each ordinary share of NurExone Ltd in exchange for 17 post-consolidation Common Shares.

The terms of the securities exchange agreement are described in more detail in the press release of the Company dated January 18, 2022, and its filing statement dated May 12, 2022, both of which are available on SEDAR+ at www.sedarplus.com. Such additional detail is not incorporated by reference herein and should not be deemed to be made part of this MD&A.

SELECTED FINANCIAL INFORMATION

Summary of the audited financial data was prepared in accordance with IFRS and is presented for the year ended December 31, 2023, December 31, 2022, and 2021:

	Twelve months period ended December 31,			Three months period ended December 31,		
(USD in thousands)	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
Research and development expenses	$ 1,541	$ 1,391	$ 573	$ 309	$ 385	$ 297
General and administrative expenses	2,116	4,150	1,140	407	456	607
Listing expenses	-	2,078	-	-	-	-
Operating loss	**3,657**	**7,619**	**1,713**	**716**	**841**	**904**
Finance (income) expenses, net	(18)	550	(66)	21	173	1
Net loss	**3,639**	**8,169**	**1,647**	**737**	**1,014**	**905**
Other comprehensive (income) loss:						
Items that may be reclassified to profit or loss (*)	9	91	-	(81)	(38)	-
Items that will not be reclassified to profit or loss (**)	(37)	(23)	(5)	66	10	4
Total comprehensive loss	**$ 3,611**	**$ 8,237**	**$ 1,642**	**$ 722**	**$ 986**	**$ 909**
Basic and diluted loss per share	$ 0.081	$ 0.216	$ 0.100	$ 0.016	$ 0.027	$ 0.055
Weighted average number of common shares – basic and diluted	44,722,288	37,733,703	16,452,064	44,722,288	37,733,703	16,452,064

(*) Exchange gains arising on translation of foreign operations
(**) Gain (loss) from foreign currency translation adjustments

Research and development expenses

For each of the three and twelve months period ended December 31, 2023, December 31, 2022, and December 31, 2021, research and development expenses amounted to $309 and $1,541, $385 and $1,391, and $297 and $573, respectively. The increase was largely attributable to the extensive research and development efforts required to continue the development of the siRNA-PTEN technology and other siRNA targets.

The changes of $150 for the year ended December 31, 2023, compared to the same period of fiscal 2022, were mainly a result of the Company's progress, there was an increase in headcount and reallocation of salaries from G&A to R&D associated with management at $98, an increase of $27 in share-based compensation expenses, a decrease of $7 of patent expenses, an increase of $11 in depreciation expenses, and an increase of $21 in materials and other expenses, all attributable to the increased level of research activities as the Company matures as an R&D driven company.

The changes of $818 for the year ended December 31, 2022, compared to the same period of fiscal 2021, were mainly a result of the increase of $78 in research and development services by TRDF, an increase of $341 in salaries expenses and $179 in Chief Executive Officer's salary expenses allocation from G&A to R&D, an increase of $73 in share-based compensation, an increase of $50 of patents expenses, and an increase of $97 in materials and other expenses.

General and administrative expenses

For each of the three and twelve months period ended December 31, 2023, December 31, 2022, and December 31, 2021, general and administrative expenses amounted to $407 and $2,116, $456 and $4,150, and $607 and $1,140, respectively. The increase was largely attributable to costs relating to the RTO.

The changes of $2,034 for the year ended December 31, 2023, compared to the same period of fiscal 2022, were mainly a result of the decrease of $2,400 in professional services, primarily attributable to transitioning to becoming a listed public company in 2022, a decrease of $76 in salaries mainly due to Chief Executive Officer's salary expenses allocation from G&A to R&D, an increase of $377 in share-based compensation expenses, an increase of $7 in amortization of right-of-use assets expenses, an increase of $19 in insurance expenses, and an increase of $39 in other expenses.

The changes of $3,010 for the year ended December 31, 2022, compared to the same period of fiscal 2021, were mainly a result of an increase of $2,341 in service providers, primarily attributable to transitioning to becoming a listed public company, that were mainly paid in services shares that amounted to $1,795, an increase of $650 in salaries and $179 in Chief Executive Officer's salary expenses allocation from G&A to R&D, a decrease of $14 in share-based compensation, an increase of $14 in amortization of right-of-use assets expenses, an increase of $53 in insurance expenses, an increase of $90 in legal costs and increase of $55 in other expenses.

Listing expenses

For the year ended December 31, 2023, there were no listing expenses incurred.

For the three and twelve months period ended December 31, 2022, listing expenses amounted to $0 and $2,078 respectively. Listing expenses were related to the completion of the RTO of the Company on June 15, 2022.

The Company, considered the accounting acquirer, treated the acquisition of EnerSpar as a reverse takeover under IFRS 2 Share-based Payments, not qualifying as a business combination per IFRS 3 due to EnerSpar's non-business operations. The acquisition was accounted for at the fair value of equity instruments NurExone Ltd would issue for the RTO. The difference between net liabilities acquired and consideration granted is a listing expense. The transaction is akin to NurExone Ltd issuing shares for EnerSpar's net assets and listing status. Current shareholders of the Company acquired 2,536,000 post-consolidation Common Shares of EnerSpar at a deemed value of

CAD$0.80 per share, representing 6% of the Common Shares of EnerSpar (undiluted) as constituted upon completion of the transaction and the private placement. The transaction was accounted for as a reverse takeover.

Listing expenses are as follows:

(USD in thousands)	Year ended December 31, 2022
Fair value of consideration of 2,536,000 EnerSpar Shares at CAD$0.80	$ 1,605
Net liabilities of EnerSpar [(1)]	242
Reverse takeover transaction cost	**1,847**
Indirect issuance costs [(2)]	231
Listing expenses	**$ 2,078**

(1) Net liabilities of EnerSpar amounted to $242, as of the RTO completion on June 15, 2022, which are mainly included $136 for accounts payables, $123 for debt to director, and ($17) for HST/GST receivables.
(2) Indirect issuance costs are mainly related to legal expenses.

Operating loss

For each of the three and twelve months period ended December 31, 2023, December 31, 2022, and December 31, 2021, operating loss amounted to $716 and $3,657, $841 and $7,619, and $904 and $1,713, respectively.

The changes for the year ended December 31, 2023, compared to the same period of fiscal 2022, were mainly a result of the increase of $150 in research and development expenses, attributable to the increased level of research activities as the Company matures as an R&D driven company, and a decrease of $2,034 in general and administration expenses, and a decrease of $2,078 in listing expenses relating to the Company listing on the TSXV.

The changes for the year ended December 31, 2022, compared to the same period of fiscal 2021, were mainly a result of the increase of $818 in research and development expenses, an increase of $3,010 in general and administration expenses relating to the Company's preparation for listing in the TSXV, and $2,078 in listing expenses relating to the Company listing on TSXV.

Financial (income) expenses, net

For each of the three and twelve months period ended December 31, 2023, December 31, 2022, and December 31, 2021, financial expenses amounted to $21 and $(18), $173 and $550 and $1 and $(66), respectively.

The changes of $568 for the year ended December 31, 2023, compared to the same period of fiscal 2022, were largely attributable to, a decrease of $33 in convertible notes interest costs, a decrease of $438 in a revaluation of a warrants liability costs, a decrease of $44 in a revaluation of a royalty liability costs, an increase of $30 in the income of deposit interest, a decrease of $26 in exchange rate adjustments costs, and an increase of $3 in lease liability interest.

The changes of $616 for the year ended December 31, 2022, compared to the same period of fiscal 2021, were largely attributable to the revaluation and a change in accounting policy for a warrant derivative of $280, an increase of $497 from the revaluation of financial derivatives, an increase of $47 from exchange rate differences, an increase of $21 in convertible notes interest cost, an increase of $66 in revaluation of royalty liability and an increase of $15 in the income of deposit interest.

Completion of Research and Development milestones for the year ended December 31, 2023

Coincident with the completion of the RTO, the Company identified and completed the following scientific and development milestones, which expedite the process to the clinical stage.

Completion of research and development milestones	*1Q23*	*2Q23*	*3Q23*	*4Q23*
Filing of patents to protect intellectual property [(1)]	√	√		
Conduct of a few scientific research and in-vivo experiments [(2)]	√	√	√	
Completion of Pre-IND meeting with the FDA [(3)]			√	
An orphan-drug designation ("**ODD**") granted by the FDA [(4)]				√

√ for completion of research and development milestones

(1) On January 12, 2023, received a notice of allowance from the United States Patent and Trademark Office ("**USPTO**") for U.S. Patent Application NO. 17/042,441 (the "**Patent**").

The Patent covers and protects NurExone Exo-PTEN technology, and its drug composition as well as methods for non-invasive intranasal administration of exosome-based treatment. The Patent discloses and claims inventions and methods in exosome technology, such as the pharmaceutical compositions comprising extracellular vesicles including exosomes, loaded with an exogenous inhibitor of phosphatase and tension homolog (PTEN) inhibitor as well as a method for treating neuronal injury or damage, including intranasal administration.

On May 16, 2023, the Company received an issue notification from the USPTO for U.S. patent number 11,648,260, granted for the period of 20 years from the filing date until March 27, 2039.

The patent protects NurExone's Exo-PTEN technology and its drug composition, as well as methods for non-invasive intranasal administration of exosome-based treatment. The patent is a result of a productive collaboration between Technion (the Israel Institute of Technology) and Tel Aviv University. NurExone has an exclusive license on the granted patent from TRDF and Ramot at Tel Aviv University Ltd ("**Ramot**"). One of the inventors, Dr. Nisim Perets, is currently leading the technology transfer activities in NurExone's research and development team. In order to strengthen the Exo-PTEN technology platform protection as well as to further expand NurExone's intellectual property portfolio, the Company filed a child 'continuation' patent application with the USPTO to include additional claims on the method of treatment and indication of the Exo-PTEN platform. In parallel, counterparts of the U.S. patent are being examined in different countries around the world.

On June 1, 2023, a patent covering NurExone's ExoPTEN technology, including drug composition and methods for non-invasive intranasal administration of exosome-based treatment, was allowed by the Russian Patent Office in a national phase examination, further to a US patent application, based on the same PCT filing (PCT/IL2019/050355), approved on May 16, 2023. The applications are part of NurExone's focus on obtaining intellectual property protection in key markets and territories for its treatment of central nervous system indications.

(2) On February 17, 2023, the Company announced interim results of an internal pre-clinical study of its proprietary ExoPTEN drug, which demonstrated significant motor, reflex and sensory improvement in rats following full transection (i.e., complete severing) of the spinal cord. The results of the study suggest that ExoPTEN has the potential to generate functional recovery in the central nervous system, which may enable NurExone to supply relief to and thereby capitalize on the $2.9 billion market for acute spinal cord injuries.

In addition, the Company's pre-clinical loading efficiency study demonstrated that its proprietary loading technology has the potential to serve as an efficient process for loading therapeutic molecular cargo into exosomes, allowing NurExone to establish a cost-effective large-scale exosome production method.

On July 20, 2023, the Company announced Advancements in Extracellular Vesicles Functionality with Enhanced Potency and Cellular Uptake for potentially better drug delivery. The Company conducted scientific research and experiments on the effectiveness of its proprietary small interfering RNA (siRNA) in treating traumatic SCIs, and patent-pending processes for generating extensive exosome production and exosome loading technology, all of which have shown positive results.

The Company's platform for exosome-based therapy production is planned to include:

1. Large-scale exosome production;
2. Therapeutic cargo; and
3. Unique technology to load the therapeutic cargo into exosomes to achieve therapeutic exosomes. The therapeutic exosomes are biologically guided to a target damaged anatomical location to "dock" and unload their therapeutic cargo in the neuronal cells for healing.

(3) In June 2023, the Company submitted a formal request for a Pre-IND meeting with the FDA in connection with ExoPTEN, the Company's first ExoTherapy product, that is currently in development.

Pre-IND meetings offer applicants valuable information about preparing complete IND applications and planning clinical studies for their products, which reduces the risk of a clinical hold.

On September 13, 2023, the Company announced that it had completed a Pre-IND meeting with the FDA in connection with the manufacturing, preclinical, and clinical development plan of ExoPTEN, NurExone's first ExoTherapy product, after receiving a written response from the FDA on August 29, 2023, that includes the following findings:

1. CMC: Additional details are required to be gathered and provided for the IND submission;
2. Non-Clinical: (i) A dose range-finding study is necessary to determine the Pharmacologically Active Dose; (ii) The FDA concurs with the proposed approach for safety pharmacology; (iii) A biodistribution study with clinical material is mandated; (iv) Toxicology - there is consensus on the proposed study, and it is determined that no second species is required; and
3. Clinical: integrate sentinel dosing, delineate dose escalation criteria, and define study-stopping criteria.

(4) On October 26, 2023, the Company received a response from the FDA, advising that pursuant to section 526 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360bb), the orphan-drug designation request of mesenchymal stem cell (MSC) derived small extracellular vesicles (EVs) loaded with short and modified interfering RNA (siRNA) against the phosphatase and tensin homolog (PTEN) protein is granted for treatment of acute spinal cord injury.

Future Research and Development milestones

The Company is still in the research, development, and growth stage. The Company has not commercialized any products or generated any significant revenues, or become cash flow positive, and will continue to be reliant on the ability to finance its activities by raising additional equity or debt until profitability is achieved.

However, the Company may also secure income through services, licensing, and partnering agreements based on the intellectual property and technology platform of the Company.

In addition to potential expenditures not yet committed but required to fund development activities and meet the planned growth strategies of the Company.

It is expected that the source of funds to meet these commitments will include cash on hand and future financing, recognizing however, that there is no assurance that such future financings will be available on terms favorable to the Company, or at all.

If the Company is not able to raise capital, the Company would have to reduce its cash requirements by eliminating or deferring spending on research, development, and corporate activities or seeking to sell some interest in their existing asset.

Future research and development milestones	***1Q24***	***2Q24***	***3Q24***	***4Q24***	***1Q25***	***2Q25***
Establish in-house laboratories and offices [(1)]	⊙					
In-vivo experiments for IND submission [(2)]	»»»»	»»»»	»»»»	⊙		
IND submission to the FDA [(3)]	»»»»	»»»»	»»»»	»»»»	»»»»	⊙
IND clearance, clinical trial design & manufacturing scale-up [(4)]	»»»»	»»»»	»»»»	»»»»	»»»»	⊙
First-in-human clinical trial I/IIa [(5)]	»»»»	»»»»	»»»»	»»»»	»»»»	⊙

√ for completion of research and development milestones
⊙ for target of research and development milestones

(1) Establish in-house laboratories and offices to enhance our research and development capabilities by entering into a lease and construction agreements, as set out under the heading "*Subsequent Events*" below.

(2) Conduct animal experiments as part of the preclinical testing phase for the submission of an IND application to the FDA, to evaluate the safety and efficacy of the ExoPTEN drug before it can proceed to clinical trials involving human subjects.

(3) Compile and submit the IND application, which includes manufacturing information and Chemistry, Manufacturing, and Controls ("**CMC**") data, preclinical data, and clinical trial plans.

(4) The Company shall prepare for the initiation of Phase I clinical trials, as follows:

1. IND Clearance: After regulatory review, obtain clearance from regulatory agencies to proceed with clinical trials.
2. Clinical Trial Design: Develop the protocol for Phase I/IIA clinical trials, including dosing, patient eligibility criteria, and endpoints.
3. Manufacturing Scale-Up: Optimize the manufacturing process to produce clinical-grade materials.

(5) Preparation for the initiation of Phase I/IIa clinical trials, as follows:

1. Clinical Site Selection: Identify and prepare clinical trial sites and investigators.
2. Patient Recruitment: Begin recruiting patients for Phase I/IIa clinical trials.
3. Initiate Phase I clinical trials with a small group of healthy volunteers or patients to assess safety and dosing.
4. Timeline may vary based on development outcomes and unforeseen circumstances.

Government Regulation in the United States

Pre-Clinical Phase

The Company's product will be subjected to several preclinical studies to establish and characterize its efficacy and safety profile. New drugs must be shown to be safe and effective in human subjects before regulator (i.e: FDA) approval. To initiate the process of bringing a new treatment to market, it is essential to first persuade the FDA that the treatment is reasonably safe to use in humans to evaluate safety and efficacy in clinical studies.

The first phase encompasses rigorous preclinical laboratory testing, including comprehensive assessments in animals. This thorough evaluation process involving animals is set to be executed by the Company in 2024.

Preclinical laboratory testing serves as a crucial precursor to human trials, allowing researchers to gather valuable data on the treatment's safety profile and potential effectiveness. These studies involve conducting various experiments, often on animals, to assess the treatment's impact on biological systems and to identify any potential risks or adverse effects. The information derived from preclinical testing plays a pivotal role in forming the basis of the Investigational New Drug (IND) application submitted to the FDA. The IND application outlines the comprehensive data gathered during preclinical studies, along with proposed plans for human clinical trials. The FDA reviews this application thoroughly to ensure that the treatment has demonstrated an acceptable level of safety and shows promising signs of efficacy, warranting further investigation in human subjects.

The results from preclinical studies are documented in scientific publications or technical reports and used to prepare as part of the premarket submission for the initiation of human clinical trials. Preclinical studies on a potential drug substance are required to follow Good Laboratory Practices (GLPs) regulations. GLPs govern laboratory facilities, personnel, equipment, and operations.

Compliance with GLP requires procedures and documentation of training, study schedules, processes, and status reports, which are submitted to facility management and included in the final study report to the FDA.

The data from preclinical studies will be gathered to reach the goal of potential therapeutic effect and reasonable safety index and the drug sponsor must notify the FDA of its intent to test the potential new drug in humans, known as an IND application. The IND allows the use of an investigational drug in human subjects for the sole purpose of conducting clinical trials.

Clinical Trials

Clinical trials for new drugs typically consist of three phases:

A. Phase I

Involves a relatively small number of subjects (with SCI as an indication, probably between 8-25) intended to gather initial safety information. Its purpose is to determine a safe dose range in which the drug can be administered, metabolized, and pharmacologically effective with minimum toxicity.

The safety and pharmacokinetics of the doses in these studies usually include testing to help establish the relationship between drug dose and plasma concentration levels, as well as therapeutic or toxic effects. The results of the Phase I studies are used to develop Phase II.

B. Phase II

Involves many subjects who have the targeted condition (usually 25-60). In Phase II the purpose is to determine a minimum and maximum effective dose (dose-ranging study and pharmacokinetic data). Clear evidence is established to confirm that the mechanism of action observed in animals is observed in humans.

Phase II may be divided into two subparts: Phase IIa is a pilot study, which is used to determine initial efficacy, and Phase IIb uses controlled studies on larger numbers of patients. Sufficient data regarding tolerability and efficacy of several different dose regimens should be available to support the dose regimen to be evaluated in Phase III trials. At this point, the sponsor and the FDA usually confer to discuss the data and plans for Phase III.

C. Phase III

Studies are considered "pivotal", designed to collect all of the essential data to fulfill the safety and efficacy criteria that the FDA requires to approve the application for the US marketplace. Phase III studies are usually larger than Phase II and are double-blind, randomized, controlled studies that are often conducted at multiple sites. In this phase, detailed data are gathered about the effectiveness of new drug compound in comparison to control treatments.

Subjects are followed to evaluate side effects and safety. Additionally, Phase III studies establish effectiveness of the final formulation, indications for clinical use, labeling, marketing claims, drug product stability, packaging, and storage conditions.

In some indications, the FDA may grant accelerated process definition which allows a much faster track to the clinic, as ODD. The ODD provides significant benefits to pharmaceutical companies developing drugs for rare diseases, i.e. those impacting fewer than 200,000 people in the United States ii . These benefits include market exclusivity, financial incentives, regulatory assistance, and support with drug development. Overall, the designation incentivizes and supports the development of certain treatments, increasing access to therapies for patients.

In relation to that, the Company made an announcement on October 30, 2023, that the FDA has granted an ODD for its ExoPTEN therapy, recognizing the potential of this groundbreaking regenerative therapy for acute spinal cord injury, a condition where effective treatments are limited.

Source:

https://www.bio.org/sites/default/files/legacy/bioorg/docs/Clinical%20Development%20Success%20Rates%202006-2015%20-%20BIO,%20Biomedtracker,%20Amplion%202016.pdf

https://www.accessdata.fda.gov/scripts/opdlisting/oopd/detailedIndex.cfm?cfgridkey=940823

https://www.fda.gov/patients/rare-diseases-fda

SUMMARY OF RESULTS

The following table summarizes the Company's statements of financial position as of December 31, 2023, December 31, 2022, and December 31, 2021:

(USD in thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Total current assets	$ 1,982	$ 2,692	$ 2,836
Total non-current assets	188	102	-
Total current liabilities	1,908	603	1,631
Total non-current liabilities	73	95	28
Total equity	$ 189	$ 2,096	$ 1,177

Total current assets

Total current assets as of December 31, 2023, December 31, 2022, and December 31, 2021, amounted to $1,982, $2,692, and $2,836, respectively.

These changes of $710 for the year ended December 31, 2023, compared to the same period of fiscal 2022, are a result of a decrease in cash and cash equivalents by $1,922, an increase in restricted cash associated with private placement by $1,197, a decrease in restricted deposit by $22, and an increase in accounts receivable by $37.

These changes of $144 for the year ended December 31, 2022, compared to the same period of fiscal 2021, are a result of a fundraising increase in cash and cash equivalents by $249, an increase in restricted deposit by $35, a decrease due from shareholders with respect to Common Shares issuance by $451, and an increase in accounts receivable by $23.

Total non-current assets

Total non-current assets as of December 31, 2023, December 31, 2022, and December 31, 2021, amounted to $188, $102, and $0, respectively.

These changes of $86 for the year ended December 31, 2023, compared to the same period of fiscal 2022, are a result of laboratory purchasing equipment, net of $107, and a decrease of $21 for leasing cars, affected by the IFRS16 accounting treatment, as the Company first implemented IFRS16 and acquired laboratory equipment in 2022.

Total current liabilities

Total current liabilities as of December 31, 2023, December 31, 2022, and December 31, 2021, amounted to $1,908, $603, and $1,631, respectively.

These changes of $1,305 for the year ended December 31, 2023, compared to the same period of fiscal 2022, are a result of an increase in other payables by $19, an increase in financial liability associated with private placement by $1,197, a decrease in employee and payroll accrual by $6, and an increase in advanced income from governmental grants by $95.

These changes of $1,028 for the year ended December 31, 2022, compared to the same period of fiscal 2021, are a result of a decrease in other accounts payable by $7, an increase in amounts owed to a director by $22, an increase in employee and payroll accrual by $218, a decrease in convertible notes by $1,043 (as a result of their being

converted to Common Shares), an increase in current maturities of lease liabilities by $24, and a decrease in derivatives (warrant liability) by $242.

Total non-current liabilities

Total non-current liabilities as of December 31, 2023, December 31, 2022, and December 31, 2021, amounted to $73, $95, and $28, respectively.

These changes of $22 for the year ended December 31, 2023, compared to the same period of fiscal 2022, are a result of a decrease in royalty payments to TRDF by $4 and a decrease in lease liability by $18.

These changes of $67 for the year ended December 31, 2022, compared to the same period of fiscal 2021, are a result of an increase in royalty payments to TRDF by $47, and an increase in lease liability by $20.

Total equity

Total shareholder equity as of December 31, 2023, December 31, 2022, and December 31, 2021, amounted to $189, $2,096, and $1,177, respectively.

These changes of $1,907 for the year ended December 31, 2023, compared to the same period of fiscal 2022, are a result of an increase of additional paid-in capital in the amount of $912 an increase of warrants reserve by $207, a decrease of foreign currency translation reserve expenses by $28, an increase in share-based payment reserve by $585, and an increase in accumulated deficit by $3,639.

These changes of $919 for the year ended December 31, 2022, compared to the same period of fiscal 2021, are a result of an increase of additional paid-in capital in the amount of $7,993, an increase of warrants reserve by $930, an increase of foreign currency translation reserve expenses by $68, an increase in share-based payment reserve by $233, and an increase in accumulated deficit by $8,169.

Summary of quarterly results that were prepared in accordance with IFRS for the past four quarters ended December 31, 2023:

(USD in thousands)	**Three months period ended December 31, 2023**	**Three months period ended September 30, 2023**	**Three months period ended June 30, 2023**	**Three months period ended March 31, 2023**
Research and development expenses	$ 309	$ 402	$ 457	$ 374
General and administrative expenses	407	762	603	345
Operating loss	**716**	**1,164**	**1,060**	**719**
Finance (income) expenses, net	21	(6)	(20)	(14)
Net loss	**737**	**1,158**	**1,040**	**705**
Other comprehensive (income) loss	(15)	(24)	(7)	18
Total comprehensive loss	**$ 722**	**$ 1,134**	**$ 1,033**	**$ 723**
Basic and diluted loss per share	$ 0.016	$ 0.026	$ 0.024	$ 0.016
Weighted average number of common shares – basic and diluted	44,722,288	43,533,560	42,855,159	42,855,159

Research and development expenses

Research and development expenses increased in the second and third quarter of 2023. This is primarily attributed to TRDF's outsourcing of sponsored research payments to the Company's ExoPTEN product development. Total research and development expenses amounted to $309, $402, $457, and $374 for the three months period ended December 31, September 30, June 30, and March 31, 2023, respectively.

General and administrative expenses

General and administrative expenses increased in the second and third quarter of 2023. This is mainly due to the share-based payment expenses and professional services. General and administrative expenses amounted to $407, $762, $603, and $345 for the three months period ended December 31, September 30, June 30, and March 31, 2023, respectively.

Operating loss

Operating loss increase in the second and third quarter of 2023. The increase was attributable to general and administrative expenses, mainly in the second and third quarter of 2023. The operating loss amounted to $716, $1,164, $1,060, and $719 for the three months period ended December 31, September 30, June 30, and March 31, 2023, respectively.

Financial expenses

Finance (income) expenses amounted to 21, ($6), ($20), and ($14) for the three months period ended December 31, September 30, June 30, and March 31, 2023, respectively.

Summary of quarterly results that were prepared in accordance with IFRS for the past four quarters ended December 31, 2022:

(USD in thousands)	**Three months period ended December 31, 2022**	**Three months period ended September 30, 2022**	**Three months period ended June 30, 2022**	**Three months period ended March 31, 2022**
Research and development expenses	$ 385	$ 422	$ 303	$ 281
General and administrative expenses	456	566	1,181	1,948
Listing expenses	-	39	2,039	-
Operating loss	**841**	**1,027**	**3,523**	**2,229**
Finance expenses, net	173	14	276	87
Net loss	**1,014**	**1,041**	**3,799**	**2,316**
Other comprehensive (income) loss	(28)	57	45	(6)
Total comprehensive loss	**$ 986**	**$ 1,098**	**$ 3,844**	**$ 2,310**
Basic and diluted loss per share	$ 0.027	$ 0.030	$ 0.116	$ 0.080
Weighted average number of common shares – basic and diluted	37,733,703	36,086,385	32,885,406	28,810,102

Research and development expenses

Research and development expenses increased quarter-over-quarter in 2022. This is primarily attributed to TRDF's outsourcing of sponsored research payments to the Company's ExoPTEN product development, amounted to $385, $422, $303, and $281 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

General and administrative expenses

General and administrative expenses significantly decreased quarter-over-quarter in 2022. This is primarily due to the related professional services to the RTO. General and administrative expenses amounted to $456, $566, $1,181, and $1,948 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Listing expenses

Listing expenses amounted to $39 and $2,039 for the three months period ended September 30, and June 30, 2022, respectively. Listing expenses are driven by RTO cost which was the fair value of the transaction, and indirect issuance costs.

Operating loss

Operating loss significantly decrease quarter-over-quarter in 2022. The decrease was largely attributable to the incurred listing expenses and the Company's costs to complete the RTO, mainly in the first half of 2022. The operating loss amounted to $841, $1,027, $3,523, and $2,229 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Financial expenses

Finance expenses amounted to $173, $14, $276, and $87 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively. The finance expenses were significantly higher in the second quarter of 2022. This increase was largely attributable to the revaluation and a change in accounting policy for warrant derivative, a non-cash expense required by IFRS.

Summary of the financials position that were prepared in accordance with IFRS and are presented as of December 31, 2023, September 30, 2023, June 30, 2023, and March 31, 2023:

(USD in thousands)	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Total current assets	$ 1,982	$ 1,279	$ 1,069	$ 1,901
Total non-current assets	188	132	142	143
Total current liabilities	1,908	623	437	569
Total non-current liabilities	73	67	84	81
Total equity	$ 189	$ 721	$ 690	$ 1,394

Total current assets

Total current assets increased mainly in the third and fourth quarters in cash and cash equivalents, driven by a completion of a private placement in September 2023, and increase in restricted cash driven by a completion of private placement in January 2024. Total current assets amounted to $1,982, $1,279, $1,069, and $1,901 for the three months period ended December 31, September 30, June 30, and March 31, 2023, respectively.

Total non-current assets

Total non-current assets changed as a result of purchasing lab equipment and right-of-use assets, which amounted to $188, $132, $142, and $143 for the three months period ended December 31, September 30, June 30, and March 31, 2023, respectively.

Total current liabilities

Total current liabilities increased mainly in the fourth quarter due to the subscription receipt held for investors. The current liabilities amounted to $1,908, $623, $437, and $569 for the three months period ended December 31, September 30, June 30, and March 31, 2023, respectively.

Total non-current liabilities

Total non-current liabilities increased mainly in the fourth quarter due to the liability to Israel Innovation Authority ("**IIA**"). Total non-current liabilities amounted to $73, $67, $84, and $81 for the three months period ended December 31, September 30, June 30, and March 31, 2023, respectively.

Total equity

Total shareholder equity decreased mainly in the fourth quarter due to the increase of the accumulated deficit. Total equity amounted to $189 , $721, $690, and $1,394 for the three months period ended December 31, September 30, June 30, and March 31, 2023, respectively.

Summary of the financials position that were prepared in accordance with IFRS and are presented as of December 31, 2022, September 30, 2022, June 30, 2022, and March 31, 2022:

(USD in thousands)	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Total current assets	$ 2,692	$ 3,402	$ 4,408	$ 1,767
Total non-current assets	102	114	111	-
Total current liabilities	603	699	660	1,578
Total non-current liabilities	95	110	109	63
Total equity	$ 2,096	$ 2,707	$ 3,750	$ 126

Total current assets

Total current assets increased mainly in cash and cash equivalents as a result of fundraising, issuance of convertible notes by NurExone Ltd, the private placement by NurExone Ltd, and the completion of EnerSpar Subscription Receipts. Total current assets amounted to $2,692, $3,402, $4,408, and $1,767 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Total non-current assets

Total non-current assets changed as a result of purchasing lab equipment and implementation of right-of-use assets in the second quarter of 2022, which amounted to $102, $114, $111, and $0 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Total current liabilities

Total current liabilities changed as a result of the conversion of the convertible notes to equity and reclassification of warrant derivatives as warrant equity in the second quarter of 2022. The current liabilities amounted to $603, $699, $660, and $1,578 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Total non-current liabilities

Total non-current liabilities changed as a result of an increase in royalty payments to TRDF and an increase in lease liability. Total non-current liabilities amounted to $95, $110, $109, and $63 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Total equity

Total shareholder equity changed as a result of an increase in additional paid-in capital driven by fundraising completion and reclassification of warrant equity as warrant reserve in the second quarter of 2022. In addition, the Company had an increase of share-based payment reserve and an increase of accumulated deficit. Total equity amounted to $2,096, $2,707, $3,750, and $126 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

SHAREHOLDERS' EQUITY

Share Capital

A summary of the change in the issued and outstanding Common Shares ("**Shares**") for the two years period ended December 31, 2023, is as follows:

	Number of Shares
Outstanding Shares as of December 31, 2021	**24,826,519**
Exercised Common Share purchase warrants in February 2022 (1)	3,927,000
Issuance of Shares for Consultants from January to March 2022 (2)	2,779,160
Issuance of Shares for Convertible Notes in April 2022 (3)	2,684,249
Issuance of Shares for Private Placement in April 2022 (4)	2,465,221
Issuance of Shares for Advisor on May 13, 2022 (5)	1,150,000
Issuance of Shares for Subscription Receipts in June 2022 (6)	4,551,814
Issuance of Shares for creditors as debt settlement in November 2022 (7)	348,766
Issuance of Shares for creditors as debt settlement in December 2022 (8)	122,430
Outstanding Shares as of December 31, 2022	**42,855,159**
Issuance of Shares for Private Placement in September 2023 (9)	5,394,548
Outstanding Shares as of December 31, 2023	**48,249,707**

(1) On February 7, 2022, TRDF exercised 3,927,000 warrants to Common Shares at a share price of CAD$0.005.

(2) From January to March 2022, NurExone Ltd issued 2,779,160 Common Shares to several Consultants at a share price of CAD$0.44 for a total consideration of CAD$1,223 in connection with consulting services.

(3) On April 30, 2022, the Company completed a Convertible Notes conversion into issued 2,684,249 Common Shares at a share price of CAD$0.59 and issued 1,374,573 Common Share purchase warrants at an exercise price of CAD$1.20 per warrant for gross proceeds of $1,249. On September 22, 2023, the exercise price was amended to CAD$0.38.

(4) From January until April 2022, the Company completed a private placement into the issuance of 2,465,221 Common Shares at a share price of CAD$0.44 and 2,465,221 Common Share purchase warrants at an exercise price of CAD$1.20 per warrant, for gross proceeds of $870. On September 22, 2023, the exercise price was amended to CAD$0.38.

(5) NurExone Ltd issued 1,150,000 Common Shares to Exiteam Capital Partners Ltd., at a share price of CAD$0.80 for a total consideration of CAD$920 for financial advisory services related to a going public transaction on a Canadian stock exchange.

(6) As a result of the RTO completion, the Company converted 4,551,814 subscription receipts to a total of 4,551,814 Common Shares at a share price of CAD$0.80 and 4,551,814 Common Share purchase warrants at an exercise price of CAD$1.20 per warrant, for gross proceeds of CAD$3,642. On September 22, 2023, the exercise price was amended to CAD$0.38.

(7) On November 7, 2022, the TSXV approved an issuing at 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 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 that were incurred during the recent RTO of CAD$75 with the issuance of 178,571 Common Shares of the Company at a deemed price of CAD$0.42 per share.

(8) On December 6, 2022, the TSXV approved an issuing at the current Common Share price to settle certain EnerSpar's debts prior to RTO. The Company offered 122,430 Common Shares at a deemed price of CAD$0.38 per share to settle indebtedness of CAD$47 owed to a creditor of EnerSpar.

(9) On September 6, 2023, following the completion of a non-brokered private placement, the Company issued 5,394,548 Common Shares at a share price of CAD$0.275, and 2,697,274 Common Share purchase warrants at an exercise price of CAD$0.34 per Common Share and 2,697,274 Common Share purchase warrants at an exercise price of CAD$0.48 per Common Share for gross proceeds of $1,087 (CAD$1,484), as set out under the heading "*Private Placement*" above.

Common Share purchase warrants

The following table reconciles the movement in Common Share purchase warrants ("**Warrants**") outstanding at the beginning and end of the period:

	Number of Warrants	Weighted-average exercise price (CAD$)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Balance as of December 31, 2022	**15,223,806**	**1.20**	**1.30**	**$ 930**
Issued	5,394,548	0.41	-	325
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	2,541,466	1.20	-	107
Balance as of December 31, 2023	**18,076,888**	**0.39**	**0.96**	**$ 1,137 (*)**

(*) Note 5.

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

(2) 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.

(3) 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.

(4) On September 6, 2023, the Company issued 5,394,548 Warrants, pursuant to the completion of private placement, which were recorded at a fair value of $325. The warrants meet the fixed-to-fixed criteria under IAS 32, and therefore classified to warrants equity as of the securities exchange date.

The warrants were initially recorded at a fair value of $325, using the Black-Scholes model with the following key assumptions: risk free interest rate at 3.6%, expected volatility at 86%, expected life (years) at 2.0-3.0, and expected dividend yield at 0.

(5) 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; (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 extension of the expiry date of the remainder of the 10,979,518 Warrants to 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 Common Shares trading on the TSXV 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 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 the de-minimis amount of the revaluation accounted at Additional Paid In Capital.

The warrants were accounted at a fair value of $812, using the Black-Scholes model with the following key assumptions: risk free interest rate at 3.26%, expected volatility at 87%, expected life (years) at 1.0, and expected dividend yield at 0, which reflects a decrease of $11, resulting from the reassessment of 12,682,340 amended warrants.

Share Incentive Plan

The following table summarizes the change in number of options granted to employees, directors, and others, under the Option Plans for the two years period ended December 31, 2023, and related information:

	Number of options	Weighted-average exercise price (CAD$)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Balance as of December 31, 2021	**3,834,695**	**0.80**	**9.66**	**$ 174**
Granted	374,000	0.80	-	34
Exercised	-	-	-	-
Forfeited	137,700	0.80	-	24
Expired	12,500	0.80	-	-
Balance as of December 31, 2022	**4,058,495**	**0.80**	**8.71**	**$ 407**
Granted	2,722,129	0.30	-	363
Exercised	-	-	-	-
Forfeited	276,900	0.44	-	18
Expired	384,200	0.68	-	55
Balance as of December 31, 2023	**6,119,524**	**0.32**	**6.71**	**$ 796**
Exercisable as of December 31, 2023	**4,455,440**	**0.32**	**4.81**	

As of December 31, 2023, there are $95 of total unrecognized costs related to share-based compensation that is expected to be recognized over a period of up to two years.

As of December 31, 2023, the Company had 319,404 Common Shares available for issuance pursuant to the exercise or vesting of awards under the Company's equity incentive 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 of Directors' 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 on the date that is up to 24 months following the date of the grant. (ii) 1,275,000 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 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.

(4) On October 30, 2023, following the Board of Directors' approval, the Company granted incentive awards under the Company's equity incentive plan to certain employees, service providers, and directors of the Company, of 1,144,109 options, with each option exercisable for one Common Share at a price of CAD$0.33 per Common Share. 679,909 of the options shall vest 25% each quarter over a one-year period and will expire on October 30, 2033. 464,200 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$0.22, determined using the Black-Scholes option pricing model at total stock-based compensation costs of $185.

The Company estimates the fair value of stock options granted using the binominal option-pricing model. The option-pricing model requires several assumptions, of which the most significant are the expected stock price volatility and the expected option term. The expected volatility was calculated based on the Company's historical share price and the historical volatility of similar entities in the related sector index.
The expected term of the options granted is derived from the output of the option valuation model and represents the period that options granted are expected to be outstanding.
The risk-free interest rate is based on the interest curve on Government of Canada marketable bonds for periods corresponding to the life of the option in the grant date.
The Company has historically not paid dividends and has no foreseeable plans to pay dividends.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the Company's statements of cash flows as of December 31, 2023, and 2022:

(USD in thousands)	Year ended December 31, 2023	Year ended December 31, 2022	Change
Net cash used in operating activities	$ (2,941)	$ (3,848)	$ 907
Net cash used in investing activities	(97)	(89)	(8)
Net cash provided by financing activities	1,132	4,295	(3,163)
Effect of exchange rate changes on cash	(16)	(109)	93
Net (decrease) increase in cash	(1,922)	249	(2,171)
Cash at the beginning of the period	2,463	2,214	249
Cash at the end of the period	$ 541	$ 2,463	$ (1,922)

Cash flows from operating activities

The cash used in operating activities for the year ended December 31, 2023, was $2,941, compared to $3,848 for the same period in 2022, representing a decrease of $907, which are attributed to the main following factors:

- The net loss for the year ended December 31, 2023, was $3,639, as compared to the same period in 2022, being $8,169, which represents a decrease of $4,530, driven by the Company's research and development activities.
- The depreciation and amortization for the year ended December 31, 2023, was $33, as compared to the year ended December 31, 2022, being $6, which represents an increase of $27.
- The share-based compensation for the year ended December 31, 2023, was $639 as compared to the same period ended in 2022, being $233, which represents an increase of $406, mainly driven by granted stock options as non-cash imputed costs.
- The revaluation of financial derivatives for the year ended December 31, 2023, was $0, as compared to the same period in 2022, being $158.
- The royalty payments revaluation for the year ended December 31, 2023, was $22, as compared to the same period in 2022, being $66, which represents a decrease of $44.
- The compensation for consultants through share issuance for the year ended December 31, 2023, was $0, as compared to the same period in 2022, being $1,744.
- The reverse take-over transaction cost for the year ended December 31, 2023, was $0, as compared to the same period in 2022, being $1,847.
- The employees and payroll accruals for the year ended December 31, 2023, was ($32), as compared to the same period in 2022, being $276, which represents a decrease of $308.

Cash flows from investing activities

The cash used in investing activities for the year ended December 31, 2023, was $97, as compared to the same period in 2022, being $89 which represents an increase of $8, which mainly resulted from purchasing lab equipment.

Cash flows from financing activities

The cash used in financing activities for the year ended December 31, 2023, was $1,132, as compared to the same period in 2022, being $4,295, which represents a decrease of $3,163, which are attributed to the main following factors:

- The proceeds from the private placement for the year ended December 31, 2023, was $740, as compared to the same period in 2022, being $2,485 (private placement at $2,374 and convertible notes at $111), which represents a decrease of $1,745.
- The proceeds from the issuance of warrants reserve for the year ended December 31, 2023, was $325, as compared to the same period in 2022, being $148, which represents an increase of $177.
- The proceeds from receipt of grants from the IIA for the year ended December 31, 2023, was $95, as compared to the same period in 2022, being $0.
- The reverse takeover transaction cost for the year ended December 31, 2023, was $0, as compared to the same period in 2022, being $1,677.

WORKING CAPITAL DISCUSSION

As of December 31, 2023, and December 31, 2022, the Company's working capital was $74 and $2,089, respectively, mainly resulted by a decrease in cash and cash equivalents due to increase in the net loss during the period to $541, and $2,463, respectively.

The Company's main objectives in managing capital are to ensure sufficient liquidity to finance research and development activities, ongoing administrative costs, and working capital. Since inception, the Company has financed its operations from a convertible debt financing and a subscription receipt financing completed in connection with the RTO.

Since the Company has not generated net earnings from operations, its ongoing liquidity depends on its ability to access capital markets, which depends on the success of the Company's ongoing research and development programs, as well as capital market conditions and availability.

The Company uses cash flow forecasts to estimate cash requirements for the ensuing twelve-month period. Based on these requirements, the Company plans to raise equity capital as required to provide the necessary financial resources for operations, ideally for a minimum of twelve months. The timing of equity financings will depend on market conditions and the Company's cash requirements.

The Company's cash flow forecasts are continually updated to reflect actual cash inflows and outflows so as to monitor the requirements and timing for additional financial resources.

Given the volatility of the Canadian and US dollar exchange rates, the Company estimates its US dollar expenses for future periods and sets appropriate levels of US dollar cash and cash equivalent balances. By reporting in US dollars, the Company remains subject to currency fluctuations, which affect its loss and comprehensive loss during any given year.

As of December 31, 2023, the Company also held a New Israeli Shekel balance and has New Israeli Shekel liabilities through its wholly-owned subsidiary, NurExone Ltd, and thus remains subject to fluctuations in the relative values of the Canadian and U.S. dollars and New Israeli Shekel, which affects its comprehensive loss during any given period.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. The Company has transactions with key management personnel and directors.

Key management personnel compensation

Key management personnel compensation and director's fees comprised the following:

Expenses	Year ended December 31, 2023	Year ended December 31, 2022
Key management personnel – Salary and related expenses	$ 497	$ 583
Key management personnel – Share-based compensation	359	81
Director's fees – Service provider expenses	26	11
Director's fees – Share-based compensation	4	13
Total	$ 886	$ 688

Balances	December 31, 2023	December 31, 2022
Balances owing to the Chief Executive Officer	$ 71	$ 80
Balances owing to the Chief Financial Officer	71	80
Balances owing to the Vice President of Strategic Development	56	56
Balances owing to directors	9	29
Total	$ 207	$ 245

Issuance of Common Shares to Directors

A total of 117,033 Common Shares were issued on August 25, 2022, as a debt settlement, which debt amounted to CAD$94 owed to a director of the Company that was a creditor of EnerSpar, at a share price of CAD$0.80.

Related Party - TRDF

The company engages in transactions and maintains financial balances with TRDF, a pivotal vendor and primary shareholder. As of December 31, 2023, TRDF holds 3,927,000 Common Shares, constituting 5.9% on a fully diluted Common Shares and Warrants basis.

Signed Date	Type of Agreement (*)		Service Period and additional details	Total Consideration
June 23, 2020	License Agreement		September 2020 – October 2021	$40
August 18, 2021	License Agreement	1st Amendment	Fundraising milestones update	-
January 25, 2022	License Agreement	2nd Amendment	Patents extension	-
	License Agreement	Royalty payment	3rd anniversary – June 23, 2023	$20
February 15, 2021	Sponsored Research		Sep 2020 – Dec 2021	$621
October 12, 2021	Sponsored Research	1st Amendment	Period extension: Jan 2022 – Mar 2022	-
April 1, 2022	Sponsored Research	2nd Amendment	April 2022 – September 2023	$411
May 15, 2022	Lab Services		May 2022 – December 2022	$30
February 27, 2023	Lab Services		January 2023 – June 2023	$43
July 3, 2023	Lab Services		July 2023 – September 2023	$20
October 15, 2023	Lab Services		October 2023 – December 2023	$20
	Other Services		January 2023 – March 2023	$1
	Other Services		April 2023 – June 2023	$7
	Other Services		July 2023 – September 2023	$5
	Other Services		October 2023 – December 2023	$2

(*) In the event that the Company decides to terminate any service agreement, this would not result in the termination of the License Agreement with TRDF.

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

Assets related to related party transactions

	December 31, 2023	December 31, 2022
Other receivables	$ -	$ 65

Liabilities related to related party transactions

	December 31, 2023	December 31, 2022
Other account payables	$ 52	$ -

Expenses

	Year ended December 31, 2023	Year ended December 31, 2022
Transactions	$ 309	$ 336

COMMITMENTS AND CONTINGENT LIABILITIES

Lease Obligation

The Company has a lease obligation for vehicle leases at a fixed monthly fee of $2.
The vehicle leases are under non-cancellable terms that are maturing and amortized over three years.
The lease obligation until May 2024, and May 2025, amounted to $4, and $2, respectively.

Secured credit cards

As of December 31, 2023, there is a restricted deposit in the amount of $32, which has been pledged to secure credit cards of $17 and $15 as security to an Israeli bank and a Canadian bank, respectively.

License Agreement

In June 2020, the Company signed an exclusive worldwide license agreement with TRDF and Ramot at Tel Aviv University Ltd ("**Ramot**"), the licensors of the technology, to take responsibility for the development, clinical studies, and commercialization of the technology as a licenser and/or sub-licenser.
The technology comprises provisional patents, owned by TRDF and Ramot for the use of certain intellectual property relating to the Exosomes initiative. The license term is on a Product-by-Product and a country-by-country basis until the later of 15 years following the first commercial sale of a product in such country or the date of expiry of the last of the licensed patents in such country.

In consideration for the exclusive worldwide license agreement:

(a) Shares issuance - the Company issued 1,683,000 common shares to Ramot and 3,927,000 warrants to purchase shares to TRDF at an exercise price of CAD$0.005 for common shares, which were fully exercised in February 2021, for a total amount of $16.
(b) License fee - the Company paid a one-time license fee of $40 to TRDF.
(c) Royalty payments - the Company shall pay TRDF the following payments:
    1. 4.25% on net sales of products sold by the Company or its affiliates; and
    2. 50% of the amounts received by the Company or its affiliates on account of sales of products by sublicensees, but in any case, not less than 2% nor exceed 4.25% of the net sales of the sublicensee.
(d) The Company shall also pay sublicense fees at the rate of 16%.
(e) A minimum royalty payment of $20 payable as of the 3rd anniversary in 2023, which shall increase by 30% year over year in 2024, 2025, and 2026, to a maximum amount of $50 in 2027 and further.

The Company's aggregate contingent obligations for payments to TRDF, based on the license term for a minimum royalty payment, as of and for the year ended December 31, 2023, and 2022, amounted to a fair value of $97, and $95, respectively.

The fair value of the royalty payment was calculated using the discounted cash flow method, using a discount rate of 50%, which reflects the Company's early stage of development, and over a discount period of 18 years, the duration of the intellectual property patents protection.

Collaboration Agreements

(1) On July 11, 2022, NurExone Ltd signed a collaboration agreement with Polyrizon Ltd. ("**Polyrizon**") for intranasal administration of exosome therapy. Pursuant to the agreement, NurExone Ltd shall pay approximately $215 in 3 equal installments.

As of December 31, 2022, NurExone Ltd has completed the initial tests required prior to reaching the first milestone and had made the first payment out of three installments, a total of $85 towards this endeavor. Subsequently, the decision was made to halt the project.

NurExone Ltd shall also pay $3,350, upon completion of development milestones.

Moreover, NurExone Ltd shall pay royalties to Polyrizon from revenue as follows:

(1) For an income of $50-$2,500, the Company shall pay a royalty payment of 2.25% of net income.
(2) For an income of $2,500-$10,000, the Company shall pay a royalty payment of 2.75% of net income.
(3) For an income of $10,000 and above, the Company shall pay a royalty payment of 3.25% of net income.
(4) For an income through a sublicense, the Company shall pay a royalty payment equal to 35% of net income relating to such a sublicense.

Further to the completion of the first milestone and as of December 31, 2023, NurExone Ltd decided to halt the project until further notice.

If NurExone Ltd decides to proceed with the collaboration and completion of the product's development milestones, both parties will mutually agree on further steps.

(2) On November 30, 2023, the Company signed a collaboration agreement with Canada-based company, Inteligex Inc. ("**Inteligex**"). The collaboration aims to develop an enhanced therapeutic strategy for the treatment of traumatic SCI, especially in the most challenging sub-population of sub-chronic and chronic patients which was submitted and approved by the IIA under the Israel-Canada bilateral Eureka program as a new collaboration. Furthermore, the Agreement regulates the technological collaboration of the companies working within the CNS disease space and SCI. Inteligex has extensive experience in SCI and human stem cell therapy, whilst NurExone brings extensive technology and insights into exosome biology, production, and intranasal administration of the therapy. Both companies hold extensive IP portfolios that directly relate to this collaborative proposal.

The parties expect to initiate the collaborative partnership starting January 2024 over the following 24-month period. Each party will be responsible for their budget funds to support the project based on the agreed work plan. The Company and Inteligex shall establish a project leader to manage the collaboration. Following the completion of the collaboration and based on the project results, the parties shall decide on the continuation of the partnership.

Government Grants

On September 21, 2023, the Company was granted $271 (NIS 980) by the IIA under the Israel-Canada bilateral Eureka program. This grant is designated for a collaborative initiative with Canada-based company, Inteligex, aimed at developing an innovative hybrid therapy specifically designed for the complex chronic spinal cord injury market. The awarded grant, totaling $678 (NIS 2,450), will cover the expenses of the first year, spanning from January to December 2024. The collaborative partnership with Inteligex is set for two years with an overall budget of $1,830 (EUR 1,690). However, the budget for the second year will be requested at a later stage, after the completion of the initial year.

The Company has received an advance income from a governmental grant (IIA) of $95 (NIS 343) through December 31, 2023, as a royalty-bearing grant.

The Company is obligated to pay royalties to the Government of Israel through the IIA at the rate of 3% on sales proceeds from products developed through the grants received from the IIA.

The total grant amount accrues interest, as follows: until October 25, 2023, the interest was calculated at a rate based on 12-month LIBOR applicable to US Dollar deposits. However, on October 25, 2023, the IIA published a

directive concerning changes in royalties to address the expiration of the LIBOR. Under such directive, regarding IIA grants approved by the IIA prior to January 1, 2024, but which are outstanding thereafter, as of January 1, 2024, the annual interest is calculated at a rate based on 12-month SOFR, or at an alternative rate published by the Bank of Israel plus 0.71513%; and, for grants approved on or following January 1, 2024, the annual interest shall be the higher of (i) the 12 months SOFR interest rate, plus 1%, or (ii) a fixed annual interest rate of 4%.

The obligation to pay these royalties is contingent on actual sales of the products and in the absence of such sales, no payment is required.

Other Agreements

(1) On August 17, 2023, the Company engaged Stockhouse Publishing Ltd. ("**Stockhouse**") to provide investor awareness and digital media communication services to the Company. The Company has paid Stockhouse an upfront cash payment of $81 (CAD$110 plus 5% GST) and $7 (CAD$10 plus 5% GST) for its services over twelve months, until July 2024.

(2) On September 7, 2023, the Company engaged 9456015 Canada Ltd. ("**Canada Ltd**") to provide Strategic Planning and Market Analysis, Financial Management and Capital Strategy, and Business Development and Partnering. Under the terms of the agreement, Canada Ltd will be paid an aggregate cash amount of $223 (CAD$300 plus 13% HST) for six months, until February 2024.

OUTSTANDING SHARE DATA

As of April 2, 2024, the outstanding shares data is as follows:

(1) 65,814,822 Common Shares were issued and outstanding.

(2) 5,728,524 Common Share purchase options, of which 3,186,395, 1,084,109, and 1,458,020 Common Share purchase options are each exercisable for one Common Share at a price of CAD$0.33, CAD$0.32, and CAD$0.28 per Common Share, respectively.

(3) 1,275,000 RSUs.

(4) 11,747,905 Common Share purchase warrants, of which 727,755, 2,482,198, and 1,207,419 Common Share purchase warrants have the right to acquire one Common Share at an exercise price of CAD$0.34, CAD$0.35, and CAD$0.48 per Common Share, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no material off-balance sheet arrangements in place.

CRITICAL ACCOUNTING ESTIMATES JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions in the application of the Company's accounting policies.

These may affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, which are revised on an ongoing basis.

Judgments

As the basis for its judgments, management uses estimates and related assumptions which are based on previous experience and various commercial, economic and other factor that are considered reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Actual outcomes may differ from these estimates under different assumptions and conditions. Judgments relate to the following:

Estimates

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's financial position are the share-based compensation expenses and the fair value valuation of warrants, convertible notes and anti-dilution terms attached to share issuances.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options, warrants, convertible notes and anti-dilution terms.

In estimating the fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk-free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in different outcomes.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES

The Company's risk exposure and the impacts on the Company's financial instruments are summarized below:

(1) Credit risk:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash. The Company's cash balance was held at major Canadian and Israeli institutions. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(2) Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due by raising sufficient funds. As of December 31, 2023, the Company had $74 current assets that exceeded its current liabilities (December 31, 2022 - $2,089), and the Company has little exposure to liquidity risk, as it will balance expenditures with available working capital and its available funds are held in appropriately liquid instruments in extremely credit-worthy financial institutions.

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.

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.

(3) Capital management:

The Company considers its capital to be comprised of shareholders' equity. The Company's objectives in managing its capital are to maintain its ability to continue as a going concern and to further develop its business.

(4) Foreign currency risk:

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The functional currency of the Company is the Canadian dollar, and the functional currency of the subsidiary, NurExone Ltd is the New Israeli Shekel. The Company does not currently enter into forwarding contracts to mitigate this risk. The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates.

As of December 31, 2023, a 5% increase/decrease in the NIS currency impacted by CAD, USD, EUR currency rates would decrease/increase the net loss by $3, $1, $1, respectively. (2022 - $9, $8, and $0, respectively).

(5) Fair values:

The carrying values of other receivables approximate their fair values due to their short terms to maturity. The cash is valued using quoted market prices in active markets.

RISKS AND UNCERTAINTIES

There are a number of risk factors that could impact the Company's ability to successfully execute its key strategies and may materially affect future events, performance, or results.

The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. An investment in securities of the Company is speculative and subject to a number of risks including, without limitation, the risks discussed under the heading "Risk Factors" on pages 29 to 36 of the Company's Annual Information Form dated March 30, 2023, a copy of which is available under the Company's SEDAR+ profile at www.sedarplus.com.

Economic Conditions

Changes in economic conditions, including without limitation, recessionary or inflationary trends, commodity prices, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, unemployment, and overall consumer confidence have a low material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company continued with outsourced research development and lab services provided by TRDF, which is not expected to be impacted significantly by the economic conditions.

SUBSEQUENT EVENTS

(1) On January 5, 2024, the Company announced that it has closed a non-brokered private placement (the "**2024 Private Placement**"). An aggregate of 7,091,993 units of the Company (each a "**2024 Unit**") were issued and sold under the Private Placement at a price of CAD$0.28 per 2024 Unit for aggregate proceeds of $1,501 (CAD$1,986). Each 2024 Unit consisted of (i) one Common Share, and (ii) one Common Share purchase warrant (each, a "**2024 Warrant**"). Each 2024 Warrant entitles the holder thereof to purchase one Common Share at a price of CAD$0.35 per Common Share for a period of 36 months from the closing of the 2024 Private Placement.

The Warrants are subject to accelerated expiration whereby if the daily volume weighted average trading price of the Common Shares on the TSXV for any period of 20 consecutive trading days equals or exceeds CAD$0.80, the Company may, upon providing written notice to the holders of the 2024 Warrants (the "**2024 Acceleration Notice**"), accelerate the expiry date of the 2024 Warrants to a date not less than 30 days following the date of the 2024 Acceleration Notice. If the 2024 Warrants are not exercised by the applicable accelerated expiry date, the 2024 Warrants will expire and be of no further force or effect. All securities issued under the

2024 Private Placement are subject to a statutory hold period of four months and one day from the closing of the 2024 Private Placement.

(2) On January 7, 2024, NurExone Ltd entered into a construction agreement with Biopharmax Group Ltd ("**Biopharmax**") for building a laboratory and offices on premises located at the Technion City, Haifa, Israel (the "**Project**"), following entering to a laboratories and offices lease agreement with the Technion – Israel Institute of Technology. NurExone Ltd shall pay Biopharmax a total amount of $328 (NIS 1,200 plus VAT) (the "**Budget**"), which shall include all Biopharmax's expenses including salaries, wages and social benefits, tools, the supply of materials or equipment, storage, or any other expenses incurred in conducting the project, all as detailed in the project scope. Payments will be made in accordance with the payment scheduled outlined in the construction agreement upon the completion of each phase of the project. The project is estimated to be completed within a 12-week period, commencing the initiation effective date, March 1, 2024.

(3) On January 16, 2024, NurExone Ltd amended the lab services agreement with TRDF, from January 1, 2024, until March 31, 2024, for a total payment of $20 plus 17% VAT.

(4) On January 17, 2024, the Company entered into a Marketing Agreement with BullVestor Medien GmBH ("**BullVestor**") and its general manager Helmut Pollinger, both arm's-length parties to the Company, to provide digital marketing services to the company commencing on January 15, 2024, and until May 15, 2024. The services will include the creation of content, strategic planning, digital advertisement placement, and overseeing progress and results of digital campaigns. The advertising and communications will occur in German-speaking countries (Germany, Austria and Switzerland). In consideration of providing the services, the Company has budgeted a total of $224 (CAD$300) and advanced the payment in full.

(5) On February 6, 2024, the Company executed ad-hoc several service agreements pertaining to its anticipated Over-The-Counter ("**OTC**") Markets listing, outlined as follows: (i) Engagement with Nauth LPC for U.S. Corporate and Securities law advice related to the Company's OTC Markets listing and Depository Trust Company ("**DTC**") common shares eligibility, incurring a total fee of $10 (CAD$13 plus HST of 13%); (ii) Engagement with Globex Transfer, LLC for DTC Advisory services, incurring a total fee of $13.5; and (iii) Engagement with Glenridge Partners LLC to assist in providing the necessary information for Form 15c-211, incurring a total fee of $7.5.

(6) On March 1, 2024, NurExone Ltd entered into a laboratories and offices lease agreement ("**Lease Agreement**") with the Technion – Israel Institute of Technology (the "**Technion**"). TRDF, a subsidiary of Technion, serves as a unique gateway to access the cutting-edge scientific and technological knowledge and capabilities of Technion. ("*Related Party - TRDF*" section). The lease agreement pertains to premises spanning 195 square meters located at minus 1 entry, 0 floor of Building B, Gutwirth Industrial Park, Technion City, Haifa, Israel. Pursuant to the Lease Agreement, the lease period extends for a term of four years and ten months, until December 31, 2028, with an option to extend the term period by an additional period of five years. Financial specifics encompass a comprehensive payment of: (i) $0.1 (NIS 0.3 plus VAT) for the initial 42-month period. (ii) $3 (NIS 9 plus VAT, linked to the monthly Israeli Consumer Price Index), starting from the 43rd month and continuing until the end of the lease period. Furthermore, the Company will secure to the Technion an initial deposit payment of US$14 (NIS 50), which will be refunded upon the successful completion of the lease period.

(7) On March 22, 2024, the Company completed the acceleration of 12,682,340 share purchase warrants issued pursuant to a private placement of units that closed on June 15, 2022. Following the Acceleration Event, 9,684,993 Warrants were exercised at the cash exercise price of CAD$0.38, for gross proceeds of $2,723 (CAD$3,680), while the remaining 2,997,347 Warrants were expired unexercised. ("*Shareholders equity - Common Share purchase warrants*" section).

Furthermore, following the private placement of units that concluded on September 6, 2023, 556,818 Class A Warrant were exercised at the cash exercise prices of CAD$0.34 for gross proceeds of $140 (CAD$190), and 181,818 Class B Warrant were exercised at the cash exercise prices of CAD$0.48 for gross proceeds of $65 (CAD$87). ("*Financial highlights and key performance indicators – Private placement*" section).

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR+ at www.sedarplus.com as well as on the Company's website at www.nurexone.com.

The board of directors of the Company welcomes questions and comments from shareholders and others.