NurExone Biologic Inc.

(Formerly EnerSpar Corp.)

Interim Management's Discussion and Analysis – Quarterly Highlights

For the six months period ended June 30, 2023

(Expressed in thousands of U.S. dollars)

Dated August 25, 2023

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 six months period ended June 30, 2023, and 2022. This analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company as at and for the six months period ended June 30, 2023, and 2022 (the **"unaudited condensed interim consolidated financial statements**").

The unaudited condensed interim 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 USA. 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 which follows.

The information in this report is dated August 25, 2023. The unaudited condensed interim consolidated financial statements and MD&A were approved by the Company's board of directors for filing on SEDAR on August 25, 2023.

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"; 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 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 Johann Beetz feldspar project in Quebec, were dividend 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 is engaged in research and development of the licensed technology ExoPTEN with the goal to reach the formal Pre-Investigational New Drug meeting (**"Pre-IND"**) by the third quarter of 2023. The Pre-IND meeting request was submitted at the end of the second quarter of 2023. Pending the results of the Pre-IND meeting, the Company will work with different regulatory agencies including the FDA in the United States, for Phase I/IIA development. The Company's new approach to SCI treatment is based on siRNA-PTEN-loaded exosome platform technology. ExoPTEN holds a broad potential for a variety of central nervous system indications and may offer a revolutionary non-invasive off-the-shelf product. Neuronal damage in general, and SCI in particular, involves a long and complex cascade of secondary events following the injury itself. The complexity of the cascade can affect the efficiency of the suggested treatments and there is an unmet need for the development of additional safe, efficient, and convenient methods for treating SCI.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

Significant developments for the six months period ended June 30, 2023

(1) On May 7, 2023, Mr. Flom resigned from the board of directors.

(2) On May 8, 2023, following the board's approval, the Company granted incentive awards under the Company's equity incentive plan to certain officers, employees, and directors of the Company, as follows: (i) 1,578,020 options, which each option is 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 be expired on May 8, 2032. 750,900 of the options will be vested over a two-year period in various increments, with an expiration period of ten years following the vesting commencement date. The fair value of each option as of the grant date, was CAD $0.24, determined using the Black-Scholes option pricing model at total stock-based compensation costs of $284. Each option will vest for one common share of the Company on the date that is up to 24 months following the date of the grant. (ii) 1,275,000 RSUs, which are values 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 RSUs will vest for one common share of the Company on the date that is 12 months following the date of the grant.

(3) On May 11, 2023, the Company engaged Litchfield Hills Research, LLC ("**Litchfield**") to perform investor relations services and activities for one year, as defined in accordance with the policies of the TSX Venture Exchange and applicable securities laws. Pursuant to the agreement with Litchfield, the Company will pay an annual cash fee of $14, of which $5 is payable upon entering into the agreement, with the remaining amount payable in three equal installments over the following nine months.

(4) 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.

Going Concern

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

As of June 30, 2023, the Company had cash of $880 (December 31, 2022 - $2,463).

The Company had an accumulated deficit of $12,163 as of June 30, 2023, (December 31, 2022 - $10,418).

Management believes the Company may not have sufficient funds to cover planned operations throughout the next twelve months. Management may secure additional financing through the issue of new equity and/or debt; however,

there is no assurance that these initiatives will be successful. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. This could result in adjustments to the amounts and classifications of assets and liabilities in the Company's unaudited condensed interim consolidated financial statements.

Reverse takeover of EnerSpar Corp.

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.sedar.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 unaudited financial data was prepared in accordance with IFRS and is presented for the six months period ended June 30, 2023, and 2022:

(USD in thousands)	Six months period ended June 30, 2023	2022	Change
Research and development expenses	$ 831	$ 584	$ 247
General and administrative expenses	948	3,128	(2,180)
Listing expenses	-	2,039	(2,039)
Operating loss	**1,779**	**5,751**	**(3,972)**
Finance(income) expenses, net	(34)	363	(397)
Net loss	**1,745**	**6,114**	**(4,369)**
Other comprehensive (income) loss:			
Items that may be reclassified to profit or loss (*)	62	-	62
Items that will not be reclassified to profit or loss	(51)	40	(91)
Total comprehensive loss	**$ 1,756**	**$ 6,154**	**$ (4,398)**
Basic and diluted loss per share	$ 0.041	$ 0.187	$ (0.146)
Weighted average number of common shares – basic and diluted	42,855,159	32,885,406	9,969,753

(*) Share of other comprehensive (income) loss of consolidated subsidiaries and associates accounted for using the equity method.

Research and development expenses

For the six months period ended June 30, 2023, research and development expenses amounted to $831, compared to $584 for the same period in 2022. The increase of $247 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 for the six months period ended June 30, 2023, compared to the same period in 2022, were mainly a result of the increase of $12 in research and development services by Technion Research & Development Foundation Ltd., (**"TRDF"**), an increase of $78 in salaries driven by employee recruitment and $54 in CEO's salary expenses allocation from G&A to R&D, an increase of $36 in share-based compensation expenses, a decrease of $28 in patent expenses, an increase of $4 of depreciation expenses, and an increase of $91 in materials and other expenses, all attributable to the increased level of research activities as the Company matures as an R&D driven company.

General and administrative expenses

For the six months period ended June 30, 2023, general and administrative expenses amounted to $948 compared to $3,128 for the same period in 2022. The decrease of $2,180 was largely attributable to costs relating to the RTO in the comparative period.

The changes for the six months period ended June 30, 2023, compared to the same period in 2022, were mainly a result of the decrease of $2,532 in service providers in connection with advisory services related to the RTO, an increase of $116 in salaries driven by employee recruitment, an increase of $139 in share-based compensation expenses.

Listing expenses

For the six months period ended June 30, 2023, there were no listing expenses incurred, as compared to the same period the same period in 2022, being $2,039. Listing expenses were related to the completion of the RTO of the Company on June 15, 2022.

Operating loss

For the six months period ended June 30, 2023, operating loss amounted to $1,779 compared to $5,751 for the same period in 2022. The decrease of $3,972 was largely attributable to costs relating to the RTO.

The changes for the six months period ended June 30, 2023, compared to the same period in 2022, were mainly a result of the increase of $247 in research and development expenses, attributable to the increased level of research activities as the Company matures as an R&D driven company, a decrease of $2,180 in general and administration expenses, and a decrease of $2,039 in listing expenses, mainly due to decrease in payments to service providers in connection with the RTO.

Financial (income) expenses

For the six months period ended June 30, 2023, financial expenses amounted to ($34) compared to $363 for the same period in 2022. The decrease of $397 was largely attributable to the fundraising in 2022, financial derivatives and exchange rate adjustments.

The changes for the six months period ended June 30, 2023, compared to the same period in 2022, were mainly a result of the decrease of $29 in convertible notes interest, a decrease of $279 in a revaluation of financial derivatives, a decrease of $49 in a revaluation of a royalty liability, an increase of $33 in the income of deposit interest.

Research & Development Milestones

Coincident with the completion of the RTO, the Company identified five scientific and development milestones (the "**R&D Milestones**"), which it committed to pursuing over the thirty-month period following the RTO.

The Company aims to complete most of the R&D Milestones by the end of 2023.

The R&D Milestones are as follows:

(1) Filing of patents to protect intellectual property;

(2) Finalizing the product characterization and establishing scaled-up exosomes' production pilot;

(3) Operating full-scale lab facility;

(4) Conduct external in-vivo experiments; and

(5) Conduct pre-IND meeting.

Research & Development Update

On May 16, 2023, the Company received an issue notification from the USPTO for U.S. Patent NO. 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 (as hereinafter defined). 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 for central nervous system indications.

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. The Company plans to have the meeting in the third quarter of 2023. The Company continues to advance various verticals of its technology portfolio and platform, which is based on six different patent families. In the second quarter of 2023, the Company submitted two new PCTs based on two provisional patent applications submitted last year. The PCTs cover the Company's unique loading technology into Extracellular Vesicles (EVs) and specific modified siRNA sequences to reduce expression of the PTEN protein.

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: (i) large-scale exosome production; (ii) therapeutic cargo and (iii) 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.

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 technology platform the Company owns. In addition to potential expenditures not yet committed but required to fund development activities and meet the planned growth strategies of the Company, the Company is subject to certain capital expenditure commitments as set out under the heading "*Commitments and Contingent Liabilities*" below. 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 will have to reduce its cash requirements by eliminating or deferring spending on research, development, and corporate activities.

The following table summarizes the Company's statements of financial position as of June 30, 2023, and December 31, 2022:

(USD in thousands)	June 30 2023	December 31, 2022	Change
Total current assets	$ 1,069	$ 2,692	$ (1,623)
Total non-current assets	142	102	40
Total current liabilities	437	583	(146)
Total non-current liabilities	84	115	(31)
Total equity	$ 690	$ 2,096	$ (1,406)

Total current assets

Total current assets as of June 30, 2023, amounted to $1,069, representing a decrease of $1,623, compared to December 31, 2022, which amounted to $2,692. The change is a result of a decrease in cash and cash equivalents of $1,583 and a decrease in other receivables of $40.

Total non-current assets

Total non-current assets as of June 30, 2023, amounted to $142, representing an increase of $40, compared to December 31, 2022, which amounted to $102. The change is mainly a result of the laboratory purchasing equipment, net of $49.

Total current liabilities

Total current liabilities as of June 30, 2023, amounted to $437, representing a decrease of $146, compared to December 31, 2022, which amounted to $583. The change is a result of a decrease in other accounts payable of $104 a decrease in amounts owed to a director of $22 and a decrease in employee and payroll accrual of $20.

Total non-current liabilities

Total non-current liabilities as of June 30, 2023, amounted to $84, representing a decrease of $31 compared to December 31, 2022, which amounted to $115. The change is a result of a decrease of $20 in royalty payment to TRDF, allocation to current liability, and a decrease of $11 in lease and royalty liabilities.

Total equity

Total shareholder equity as of June 30, 2023, amounted to $690 representing a decrease of $1,406 compared to December 31, 2022, which amounted to $2,096. The change is a result of a decrease in foreign currency translation reserve expenses of $11, an increase in share-based payment reserve of $350, a decrease in the expiration of employee options of $19, an increase in additional paid-in capital of $28, a decrease of $9 in warrants reserve, and an increase in an accumulated deficit of $1,745 resulting from a loss for the six months period ended June 30, 2023.

SUMMARY OF QUARTERLY RESULTS

Summary of quarterly results that were prepared in accordance with IFRS for the past eight quarters ended June 30, 2023:

(USD in thousands)	Three months period ended June 30, 2023	Three months period ended March 31, 2023	Three months period ended December 31, 2022	Three months period ended September 30, 2022
Research and development expenses	$ 457	$ 374	$ 385	$ 422
General and administrative expenses	603	345	455	566
Listing expenses	-	-	-	39
Operating loss	**1,060**	**719**	**840**	**1,027**
Finance (income) expenses, net	(20)	(14)	173	14
Net loss	**1,040**	**705**	**1,013**	**1,041**
Other comprehensive (income) loss	(7)	18	(28)	57
Total comprehensive loss	**$ 1,033**	**$ 723**	**$ 985**	**$ 1,098**
Basic and diluted loss per share	$ 0.024	$ 0.016	$ 0.026	$ 0.030
Weighted average number of common shares – basic and diluted	42,855,159	42,855,159	37,733,703	36,086,385

(USD in thousands)	Three months period ended June 30, 2022	Three months period ended March 31, 2022	Three months period ended December 31, 2021	Three months period ended September 30, 2021
Research and development expenses	$ 303	$ 281	$ 297	$ 39
General and administrative expenses	1,181	1,947	607	233
Listing expenses	2,039	-	-	-
Operating loss	**3,523**	**2,228**	**904**	**272**
Finance (income) expenses, net	276	87	1	(8)
Net loss	**3,799**	**2,315**	**905**	**264**
Other comprehensive (income) loss	45	(5)	4	(2)
Total comprehensive loss	**$ 3,844**	**$ 2,310**	**$ 909**	**$ 262**
Basic and diluted loss per share	$ 0.116	$ 0.080	$ 0.055	$ 0.017
Weighted average number of common shares – basic and diluted	32,885,406	28,810,102	16,452,064	15,437,498

Research and development expenses

Research and development expenses were generally lower until the second quarter of 2022, compared to the subsequent quarters of 2022 and 2023. These changes were largely attributable to the extended research and development activities that were made possible by additional fundraising prior to the RTO completion in June 2022. Starting in 2022, the R&D expenses increased due to additional headcount in the R&D department, an increase in patents maintenance and registration, and the extension of the sponsored research agreement with TRDF for Company's ExoPTEN product development.

General and administrative expenses

General and administrative expenses were generally higher in the first and second quarters of 2022. These changes were largely attributable to the increase in finance and legal expenses due to transitioning to becoming a listed public company in June 2022. In addition, G&A expenses increased due to additional headcount in the G&A department, an annual payment for directors' and officers' insurance and one-time payment for run-off insurance, and an increase in professional services expenses in connection with the RTO.

Listing expenses

Listing expenses amounted to $39 and $2,039 for the three months period ended September 30, 2022, and June 30, 2022, respectively. The acquisition of EnerSpar is accounted for at the fair value of the consideration transferred by the accounting acquirer, which is the fair value of the equity instruments NurExone Ltd would have had to issue to the owners of EnerSpar to effect the RTO. The difference between the net liabilities acquired and the fair value of the consideration granted is treated as a listing expense. The transaction is equivalent to the issuance of shares by the non-public operating company, NurExone Ltd, for the listing status of the public company, EnerSpar.

Listing expenses amounted in total to $2,078 in 2022, which were driven by $1,605 for the fair value of consideration of 2,536,000 common shares of EnerSpar at CAD$0.80, $242 for net liabilities of EnerSpar, and $231 for indirect issuance costs (mainly legal expenses).

Operating loss

Operating loss was generally higher in the second quarter of 2022. The increase was largely attributable to the increase in general and administrative and listing expenses, following the completion of the RTO in June 2022.

Financial (income) expenses

Finance (income) expenses were generally higher in the second and fourth quarters of 2022. These changes were largely attributable to the increase in financial expenses due to the revaluation of warrants and royalty liability.

Summary of the financial position that were prepared in accordance with IFRS for the past eight quarters ended June 30, 2023:

(USD in thousands)	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Total current assets	$ 1,069	$ 1,901	$ 2,692	$ 3,402
Total non-current assets	142	143	102	114
Total current liabilities	437	569	583	699
Total non-current liabilities	84	81	115	110
Total equity	$ 690	$ 1,394	$ 2,096	$ 2,707

(USD in thousands)	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Total current assets	$ 4,408	$ 1,767	$ 2,836	$ 599
Total non-current assets	111	-	-	-
Total current liabilities	660	1,578	1,631	353
Total non-current liabilities	109	63	28	28
Total equity	$ 3,750	$ 126	$ 1,177	$ 218

Total current assets

Total current assets increased due to an increase in cash in connection with the RTO, issuance of convertible notes by NurExone Ltd on April 30, 2022, a private placement of NurExone Ltd from the fourth quarter of 2021 to the first quarter of 2022, and the completion of a subscription receipt financing by EnerSpar in the second quarter of 2022. Since the RTO, the Company hasn't been able to raise additional funds, which has impacted on the reduction in cash.

Total non-current assets

Total non-current assets increased as a result of purchasing lab equipment and implementation of right-of-use assets in the second quarter of 2022, offset by a decrease of the right-of-use assets from the third quarter of 2022 to the second quarter of 2023.

Total current liabilities

Total current liabilities changed as a result of the conversion of the convertible notes to equity and the reclassification of warrant derivatives as warrant equity in the second quarter of 2022. Since the RTO, the current liabilities have decreased quarter over quarter as a result of a decrease in other payables.

Total non-current liabilities

Total non-current liabilities have decreased in the last quarters as a result of the allocation of royalty payments to TRDF as a current liability and a decrease in lease liability.

Total equity

Total shareholder equity increased in the second quarter of 2022 due to an increase in additional paid-in capital driven by the completion of fundraising and the reclassification of warrant equity as a warrant reserve.

However, since the RTO, total shareholder equity has decreased as a result of an increase in accumulated deficit and a decrease in cash assets.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the Company's statements of cash flows as of June 30, 2023, and 2022:

(USD in thousands)	Six months period ended June 30, 2023	Six months period ended June 30, 2022	Change
Net cash used in operating activities	$ (1,519)	$ (2,228)	$ 709
Net cash used in investing activities	(54)	(49)	(5)
Net cash (used in) provided by financing	(9)	2,540	(2,549)
Effect of exchange rate changes on cash	(1)	(59)	58
Net (decrease) increase in cash	(1,583)	204	(1,787)
Cash at the beginning of the period	2,463	3,814	(1,351)
Cash at the end of the period	$ 880	$ 4,018	$ (3,138)

Cash flows from operating activities

The cash used in operating activities for the six-month period ended June 30, 2023, was $1,519, compared to $2,228 for the same period in 2022, representing a decrease of $709, as mainly attributed by the following factors:

- The net loss for the six months period ended June 30, 2023, was $1,745, as compared to the same period in 2022, being $6,114, which represents a decrease of $4,369.
- The depreciation and amortization for the six months period ended June 30, 2023, was $12, as compared to the same period in 2022, being $3, which represents an increase of $9.
- The share-based compensation for the six months period ended June 30, 2023, was $350 as compared to the same period ended in 2022, being $175, which represents an increase of $175.
- The interest expenses on convertible notes for the six months period ended June 30, 2023, was $0, as compared to the same period in 2022, being $30.
- The revaluation of financial derivatives for the six months period ended June 30, 2023, was $0, as compared to the same period in 2022, being $285.
- The royalty payments revaluation for the six months period ended June 30, 2023, was $0, as compared to the same period in 2022, being $49, which represents a decrease of $49.
- The compensation for consultants through share issuance for the six months period ended June 30, 2023, was $0, as compared to the same period in 2022, being $1,689.
- The reverse take-over transaction cost for the six months period ended June 30, 2023, was $0, as compared to the same period in 2022, being $1,847.
- The employees and payroll accruals for the six months period ended June 30, 2023, was ($26), as compared to the same period in 2022, being $132 which represents a decrease of $158.
- The other receivables for the six months period ended June 30, 2023, was $35, as compared to the same period in 2022, being $302, which represents an increase of $337.
- The other payables for the six months period ended June 30, 2023, was ($145), as compared to the same period in 2022, being $22, which represents a decrease of $124.

Cash flows from investing activities

The cash used in investing activities for the six months period ended June 30, 2023, was $54, as compared to the same period in 2022, being $49 which represents an increase of $5 for the purchase of property, plant, and equipment.

Cash flows from financing activities

The cash used in financing activities for the six months period ended June 30, 2023, was ($9), as compared to the same period in 2022, being $2,540, which represents a decrease of $2,549 and is largely the result of the following factors:

- Lack of funds for the six months period ended June 30, 2023, as compared to the same period in 2022, being $2,246 as total proceeds from the issuance related to subscription receipts, private placement and convertible notes.
- The proceeds from the issuance of warrants reserve for the six months period ended June 30, 2023, was $0, as compared to the same period in 2022, being $306.
- The increase in payment of lease liabilities for the six months period ended June 30, 2023, was $9, as compared to the same period in 2022, being $12.

These significant changes reflect the transition of the Company to a publicly listed entity carrying on significant research toward the development of pharmaceutical products.

The main financial commitments of the Company going forward are costs relating to the TRDF lab services, as set out under the heading "*Related Party – Technion Research & Development Foundation Ltd.*".

WORKING CAPITAL DISCUSSION

As of June 30, 2023, the Company's working capital was $632, as compared to $2,109 as of December 31, 2022, which is mainly a result of a decrease in cash and cash equivalents, which as of June 30, 2023, amounted to $880 compared to $2,463 as of December 31, 2022, primarily driven by the net loss during the period.

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 June 30, 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.

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.

A license agreement with TRDF and Ramot

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 and the date of expiry of the last of the licensed patents in such country. In consideration for the exclusive worldwide license agreement:

(1) License fee – the Company paid a one-time license fee of $40 to TRDF.

(2) Share 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.

(3) 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% and not more than 4.25% of the net sales of the sublicensee.

(4) A minimum annual royalty payment of $20 payable as of the 3rd anniversary, which shall increase by 30% every year, to a limit of $50.

(5) The Company shall also pay sublicense fees at the rate of 16%.

The fair value of the above-mentioned future payments described in (d) was valued at $75, as of June 30, 2023.

Secured credit lines

As of June 30, 2023, there is a restricted deposit in the amount of $54, which has been pledged to secure a credit line of $17 and $37 as security to an Israeli bank and a Canadian bank, respectively.

CONTRACT ENGAGMENTS

On July 11, 2022, NurExone Ltd signed a collaboration agreement with Polyrizon Ltd. (**"Polyrizon"**) for intranasal administration of exosome therapy. NurExone Ltd shall pay EUR €215 in 3 equal installments, subject to certain milestones.
The Company paid the 1st installment. Additional payments are subject to the Company's decision to proceed with Polyrizon's services. In addition, the Company shall pay $3,350, subject to the completion of the Company

product's development milestones. NurExone expects to be able to perform a biological efficacy study of the intranasal system by the second quarter of 2023.

Moreover, NurExone 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% from net income.

(2) For an income of $2,500-$10,000, the Company shall pay a royalty payment of 2.75% from net income.

(3) For an income of $10,000 and above, the Company shall pay a royalty payment of 3.25% from net income.

(4) For an income through a sublicense, the Company shall pay a royalty payment equal to 35% from net income relating to such sublicense.

As disclosed in the agreement, the execution of each of the development steps of the project is subject to the Company's approval, including the tasks and timelines, based on the signed work order.

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	Six months period ended June 30, 2023	Six months period ended June 30, 2022
Key management personnel – Salary and related expenses	$ 257	$ 306
Key management personnel – Share-based compensation	202	49
Director's fees – Service provider expenses	7	-
Director's fees – Share-based compensation	31	25
Total	$ 497	$ 380

Balances	June 30, 2023	December 31, 2022
Balances owing to the CEO	$ 67	$ 73
Balances owing to the CFO	67	73
Balances owing to the VP of Strategic Development	56	56
Balances owing to directors	7	29
Total	$ 197	$ 231

Related Party - Technion Research & Development Foundation Ltd.

The Company has transactions and balances with TRDF, a key vendor and main shareholder, that holds 3,927,000 Common Shares, which represent 6% on a fully diluted basis, as of June 30, 2023.

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	
February 15, 2021	Sponsored Research		September 2020 – December 2021	$621
October 12, 2021	Sponsored Research	1st Amendment	Period extension: January 2022 – March 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

(*) 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

	June 30, 2023	December 31, 2022
Other receivables	$ 67	$ 65

Liabilities related to related party transactions

	June 30, 2023	December 31, 2022
Other account payables	$ 21	$ -

Expenses

	Six months period ended June 30, 2023	Six months period ended June 30, 2022
Transactions	$ 188	$ 162

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

As of August 25, 2023, the outstanding shares data is as follows:

(1) 42,855,159 Common Shares were issued and outstanding.

(2) An aggregate of 6,467,315 Common Share purchase options, of which 3,674,295 Common Share purchase options are each exercisable for one Common Share at a price of CAD$0.33 per Common Share and 1,518,020 Common Share purchase options are each exercisable for one Common Share at a price of $0.28 per Common Share.

(3) 1,275,000 Restricted Stock Units.

(4) 13,815,730 Common Share purchase warrants outstanding, each of which represents the right to acquire one Common Share at an exercise price of CAD $1.20 per Common Share.

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.sedar.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 July 3, 2023, NurExone Ltd signed a lab services agreement with TRDF from July to September 2023, for a total consideration of $20.

(2) On August 25, 2023, the Company completed the first tranche of a non-brokered private placement (the "**Private Placement**") of 4,644,548 units of the Company (each a "**Unit**") at a price of CAD$0.275 per Unit for aggregate proceeds of CAD$1,277 (the "**First Tranche**").

Each Unit consists of (i) one common share in the capital of the Company (each, a "**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 "**Warrant**"). Each Class A Warrant entitles the holder thereof to purchase one Common Share at a price of CAD$0.34 per Common Share for a period of 24 months from the closing of the First Tranche

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 from the closing of the First Tranche.

The Warrants are subject to accelerated expiration whereby if the daily volume weighted average trading price of the Common Shares on the TSX Venture Exchange for any period of 20 consecutive trading days equals or exceeds CAD$0.69 in respect of the Class A Warrants or CAD$0.83 in respect of the Class B Warrants, the Company may, upon providing written notice to the holders of the Class A Warrants or Class B Warrants, as applicable (the "**Acceleration Notice**"), accelerate the expiry date of the respective Class A Warrants or Class B Warrants to the date that is 30 days following the date of the Acceleration Notice. If the Warrants are not exercised by the applicable accelerated expiry dates, the Warrants will expire and be of no further force or effect.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com as well as on the Company's website at www.nureoxne.com.

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