

NurExone Biologic Inc.

(Formerly EnerSpar Corp.)

Interim Management's Discussion and Analysis – Quarterly Highlights

For the three and nine months
ended September 30, 2022

(Expressed in thousands of U.S. dollars)

Dated November 23, 2022

NurExone Biologic Inc.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

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. ("ENER" or "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 three and nine months ended September 30, 2022, and 2021. This analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2022, and 2021 (the "unaudited condensed interim consolidated financial statements"). For the avoidance of doubt, any reference to the Company in this MD&A fully incorporates and includes NurExone Biologic Ltd ("NurExone Ltd").

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 United States dollars in thousands, denominated by "\$" or "US\$", as the Company aims to engage in research and development with the regulatory agency, the Food and Drug Administration (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 as of November 23, 2022. The unaudited condensed interim consolidated financial statements and MD&A were approved by the Company's board of directors for filing on SEDAR on November 23, 2022.

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; the Company's 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 the Company operates; the Company will retain and supplement its board of directors and management and skilled employees, or otherwise engage consultants and advisors, having knowledge of the industries in which the Company participates; our ability to engage and retain the employees or consultants required to grow our business; and the Company will be able to execute on its 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 publicly-traded company reporting 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 is traded on the Toronto Stock Exchange Venture ("TSXV") with the symbol "NRX" and in Germany with the symbol "J90" on the Frankfurt Stock Exchange, German Composite, Stuttgart Stock Exchange, and Munich Stock Exchange.

The business of the Company underwent a fundamental change on June 15, 2022, with the closing of the reverse takeover transaction ("RTO"), as explained further below. As part of 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 (BBR) 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, BTI, and potentially other brain and neurological indications. The Company is engaged in research and development regarding the licensed technology with the intention to reach a stage of Pre-IND (Pre-Investigational New Drug Application) by Q2-2023. Subsequently, the Company will work with the regulatory agencies in the United States, including the FDA, for Phase I/IIA development, pending the results of the Pre-IND.

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 remains 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 nine months ended September 30, 2022, and to the date of this report

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

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7. On July 5, 2022, the Company signed a retains services agreement with Thesis Capital Inc. ("Thesis"). Thesis provides investor relations and advisory services to the Company. Pursuant to the agreement, Thesis will be paid a monthly retainer of CAD \$5.5 thousand for a period of 12 months.
8. On July 11, 2022, NurExone Ltd signed a collaboration agreement with Polyrizon Ltd. ("Polyrizon") for intranasal administration of exosome therapy. NurExone Ltd will cover the costs of the formulation development up to EUR €215 thousand, payable in three installments of 33%, per installment, subject to development success. NurExone expects to be able to perform a biological efficacy study of the intranasal system by Q2-23. NurExone shall also pay development fees to Polyrizon of up to a total of \$3.35 million, upon completion of certain milestones, including the payment of an aggregate of US \$0.5 million upon successful completion of a Phase-II. Moreover, NurExone shall pay royalties from revenue as follows: (i) for an income of US\$50-\$2.5M, royalty payment of 2.25% from net income; (ii) for an income of US\$2.5M-\$10M, royalty payment of 2.75% from net income; (iii) for an income of US\$10M and above, royalty payment of 3.25% from net income; and (iv) for an income through sublicense, royalty payment of 35% from any received amount.
9. On July 18, 2022, NurExone Ltd signed a material transfer agreement with Yisum Research Development Company of the Hebrew University of Jerusalem Ltd ("Yisum"). The company shall make biological, chemical, and other tangible materials, at no charge, available for the use of Yisum for research purposes. NurExone Ltd has the option to receive an exclusive license to the jointly owned results and related intellectual property that may arise from the research, in the field of neurodegenerative diseases and central nervous system indications, upon commercial and other terms and conditions to be negotiated.
10. On August 16, 2022, the Company signed a business services agreement with public eye CONSULTING BUSCHE. The engagement is for an initial term of 12 months, starting September 1, 2022. The Company shall pay a total fee of CAD \$252 thousand in three installments: 33% upon agreement signing; 33% 4 months after the 1st installment; and the remaining balance 4 months after the 2nd installment.
11. On September 1, 2022, the Company signed a letter of intent for international strategic collaboration with denovoMATRIX GMBH towards large-scale exosome production. The primary aim of the collaboration is to develop a mutually beneficial supply agreement, whereby denovoMATRIX will develop and provide technologies enabling large-scale exosome production.
12. On September 1, 2022, NurExone Ltd signed on with ARX Advisory Ltd., pursuant to a business services agreement for the provision of content and research study and awareness and growth campaigns for the Company. The Company will pay \$30 for a period of 2 months.
13. On September 18, 2022, NurExone Ltd signed a letter of intent for research collaboration with Nanometrix Ltd. ("Nanometrix"). Nanometrix will process and analyze the exosome and cargo samples provided by the Company using its technology and produce a molecular profile of the exosomes received.

Going Concern

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

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

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

RESULTS OF OPERATIONS*Selected information for the three and nine months ended September 30, 2022, and 2021:*

(USD in thousands)	Nine months ended September 30,		Three months ended September 30,	
	2022	2021	2022	2021
Research and development expenses	\$ 1,006	\$ 276	\$ 422	\$ 39
General and administrative expenses	3,694	533	566	233
Listing expenses	2,078	-	39	-
Operating loss	6,778	809	1,027	272
Finance (income) expenses, net	377	(67)	14	(8)
Net loss	7,155	742	1,041	264
Loss (Income) from foreign currency translation adjustments	96	(9)	56	(2)
Total comprehensive loss	\$ 7,251	\$ 733	\$ 1,097	\$ 262
Basic and diluted loss per share	\$ 0.201	\$ 0.070	\$ 0.030	\$ 0.025
Weighted average number of common shares – basic and diluted	36,086,385	10,444,512	36,086,385	10,444,512

Research and development expenses

For the three and nine months ended September 30, 2022, research and development expenses amounted to \$422 and \$1,006 respectively, compared to \$39 and \$276 for the three and nine months ended September 30, 2021. 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 for the nine months ended September 30, 2022, compared to the comparable period in 2021, were mainly a result of the increase of \$265 in research and development services by TRDF, an increase of \$303 in salaries driven by an increase of 2 full-time employees, an increase of \$60 in share-based compensation expenses, an increase of \$45 of patent expenses and an increase of \$57 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 three and nine months ended September 30, 2022, general and administrative expenses amounted to \$566 and \$3,694 respectively, compared to \$233 and \$533 for the three and nine months ended September 30, 2021. The increase was largely attributable to costs relating to the RTO.

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The changes for the nine months ended September 30, 2022, compared to the comparable period in 2021, were mainly a result of the increase of \$2,563 in service providers, primarily attributable to transitioning to becoming a listed public company, that were mainly paid in services shares amounted at \$1,688, an increase of \$328 in salaries driven by an increase of 2 full-time employees, an increase of \$105 in share-based compensation expenses, an increase of \$8 in amortization of right-of-use assets expenses, an increase of \$27 in insurance expenses, an increase of \$52 in legal expenses and an increase of \$78 in other expenses.

Listing expenses

For the three and nine months ended September 30, 2022, listing expenses amounted to \$39 and \$2,078 respectively. The listing expenses were related to the completion of the RTO of the Company on June 15, 2022. For accounting purposes, the Company is considered the accounting acquirer, and EnerSpar is considered the acquired company.

Since EnerSpar's operations did not constitute a business, the acquisition of EnerSpar is not a business combination pursuant to IFRS 3 and the transaction is accounted for as an RTO of the publicly traded company. The RTO will be accounted for under IFRS 2 Share-based Payments. Accordingly, 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 of 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.

Operating loss

For the three and nine months ended September 30, 2022, the operating loss amounted to \$1,027 and \$6,778 respectively, compared to \$272 and \$809 for the three and nine months ended September 30, 2021, an increase in operating loss of \$755 and \$5,969. The increase was largely attributable to listing expenses of to the Company listing on the TSXV, which amounted to \$2,078, and other expenses related to the RTO.

Financial (income) expenses

For the three and nine months ended September 30, 2022, financial expenses amounted to \$14 and \$377 respectively, compared to financial income of \$(8) and \$(67) for the three and nine months ended September 30, 2021. This increase was largely attributable to the revaluation and a change in accounting policy for a warrant derivative of \$280, an increase of \$57 in a revaluation of a royalty liability, an increase of \$59 in full ratchet cancellation, and an increase of \$48 in exchange rate adjustments.

MATERIAL TRANSACTIONS***Reverse Take-Over of EnerSpar Corp.***

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

On June 20, 2022, the final acceptance of 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.

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As a condition of closing the RTO, the Company completed a plan of arrangement on May 31, 2022, pursuant to which the Company spun out its wholly-owned subsidiary, 1222150 B.C. Ltd. by way of distributing all shares of the subsidiary held by the Company pro-rata on a one for one share basis to the shareholders of the Company. All of the former mining assets of the Company were transferred with the subsidiary, thereby divesting the Company of such assets prior to the completion of the RTO. Further details about the arrangement are described in more detail in the press release of the Company dated March 15, 2022, May 12, 2022, and May 31, 2022, and are available on SEDAR at www.sedar.com.

Pursuant to the RTO:

- (i) 35,296,149 Common Shares were issued to the shareholders of NurExone Ltd in exchange for all of the issued and outstanding ordinary shares of NurExone Ltd (including 2,465,221 Common Shares issued relating to a NurExone Ltd private placement and the conversion of certain convertible notes resulting in 2,684,249 Common Shares);
- (ii) 4,551,814 Common Shares were issued to holders of subscription receipts of the Company pursuant to a concurrent private placement which closed on May 5, 2022, the subscription receipts being sold at a price of CAD \$0.80 per subscription receipt; and
- (iii) 2,536,000 Common Shares were issued to the existing shareholders of the Company upon the 10:1 consolidation of the existing 25,360,000 pre-consolidation Common Shares.

Following completion of the RTO and conversion of the subscription receipts, there were 42,383,963 Common Shares issued and outstanding and, if all of the outstanding options and warrants were to be exercised into Common Shares, 61,759,764 Common Shares would have been issued and outstanding on a fully diluted basis.

Private Placements

In connection with the RTO, the Company completed its previously announced private placement of subscription receipts, resulting in the issuance of 4,551,814 subscription receipts issued at a price of CAD \$0.80 per subscription receipt for gross proceeds of CAD \$3,642 thousand. Each subscription receipt was converted on the closing of the RTO into one Common Share and one Common Share purchase warrant of the Company. The Common Share purchase warrants are exercisable into one additional Common Share at a price of CAD \$1.20 for a period of two (2) years from the date of issuance. Additionally, in connection with the RTO, NurExone Ltd completed private placement financing of \$870 and issued convertible notes in the aggregate principal amount of CAD \$162 thousand.

SELECTED FINANCIAL INFORMATION

The following table summarizes the Company's statements of financial position as of September 30, 2022, and December 31, 2021:

	September 30,	December 31,
	2022	2021
(USD in thousands)	Unaudited	
Total current assets	\$ 3,402	\$ 2,836
Total non-current assets	114	-
Total current liabilities	699	1,631
Total non-current liabilities	110	28
Total equity	\$ 2,707	\$ 1,177

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Total current assets

Total current assets as of September 30, 2022, amounted to \$3,402 which is an increase of \$566 over the December 31, 2021, amount of \$2,836. The change is a result of a fundraising increase in cash by \$937, an increase in restricted deposit by \$35, a decrease due from shareholders with respect to Common Share issuances by \$451, and an increase in accounts receivable by \$45.

Total non-current assets

Total non-current assets as of September 30, 2022, amounted to \$114. The Company didn't recognize any non-current assets as of December 31, 2021. The non-current assets include net purchasing equipment of \$58 and an implementation of IFRS16 of \$56 for leasing cars.

Total current liabilities

Total current liabilities as of September 30, 2022, amounted to \$699, which is a decrease of \$932 over the December 31, 2021, amount of \$1,631. The change is a result of an increase in other accounts payable by \$131, an increase in amounts owed to a director by \$90 and, an increase in employees and payroll accrual by \$107, 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 \$25, and a decrease in derivatives (warrant liability) by \$242.

Total non-current liabilities

Total non-current liabilities as of September 30, 2022, amounted to \$110, which is an increase of \$82 over the December 31, 2021, amount of \$28. The change is a result of an increase in royalty payments to TRDF by \$57, and an increase in lease liabilities by \$25.

Total equity

Total shareholder equity as of September 30, 2022, amounted to \$2,707 which is an increase of \$1,530 over the December 31, 2021, amount of \$1,177. The change is a result of an increase of share capital in the amount of \$36, an increase of additional paid-in capital in the amount of \$7,608, an increase of warrants reserve by \$930, an increase of foreign currency translation reserve expenses by \$96 an increase in share-based payment reserve by \$207, and an increase in accumulated deficit by \$7,155.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the Company's unaudited condensed interim consolidated financial statements of cash flows for the nine months ended September 30, 2022, and 2021:

(USD in thousands)	Nine months ended September 30,	
	2022	2021
Cash used in operating activities	\$ (4,748)	\$ (685)
Cash used in investing activities	(95)	(19)
Cash generated from financing activities	5,886	835
Effect of exchange rate changes on cash	(106)	-
Change in cash during the period	937	131
Opening cash balance	2,214	2
Ending cash balance	\$ 3,151	\$ 133

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Cash flows from operating activities

During the nine months period ended September 30, 2022, the Company's overall position of cash increased by \$937, compared to an increase of \$131 in the nine months period ended September 30, 2021. For the nine months ended September 30, 2022, net cash provided by operating activities amounted to \$4,748 compared to \$685 for the nine months ended September 30, 2021. The change was largely attributable to: (i) the increase in net loss for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 by \$7,155 from \$742, respectively; (ii) the increase in amortization of right-of-use assets for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 to \$5 from \$0, respectively; (iii) the increase in share-based compensation for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 to \$207 from \$42 respectively; (iv) the increase of other receivables for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 to \$133 from \$26, respectively; (v) the increase in employees and payroll accruals for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 to \$107 from \$6, respectively; (vi) the increase of revaluation of financial derivatives for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 to \$285 from a decrease of \$68, respectively; (vii) the increase of interest expenses on convertible notes for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 to \$30 from \$0, respectively; (viii) the increase of revaluation of royalty payments to TRDF for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 to \$56 from \$1, respectively; (ix) the decrease in other payables for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 to \$1 from an increase of \$103, respectively and (x) the one-time listing expenses of \$1,847 for the nine months ended September 30, 2022.

Cash flows from investing activities

For the nine months ended September 30, 2022, net cash used in investing activities amounted to \$95 compared to \$19 for the nine months ended September 30, 2021. The change was largely attributable to: (i) the increase in restricted cash for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021 by \$37 from \$19, respectively and (ii) the increase in purchasing equipment for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 by \$58 from \$0, respectively.

Cash flows from financing activities

For the nine months ended September 30, 2022, net cash provided by financing activities amounted to \$5,886 compared to \$835 for the nine months ended September 30, 2021.

The increase was largely attributable to: (i) an increase in proceeds from the issuance of subscription receipts for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 by \$1,027 from \$0, respectively; (ii) increase in proceeds from the issuance related to a private placement for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 by \$2,780 from \$823, respectively; (iii) increase in proceeds from the issuance of convertible notes for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 by \$111 from \$0, respectively; (iv) increase in proceeds from warrants reserve for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 by \$306 from \$12, respectively; (v) increase of costs related to the RTO for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 by \$1,677 from \$0, respectively; and (vi) increase of payment of lease liabilities for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 by \$15 from \$0, respectively.

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These significant changes reflect the transitioning of the Company from its substantially dormant period arranging its RTO and NurExone former existence as a private company to its dynamic state as a public listed company carrying on significant research toward the development of pharmaceutical products.

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL COMMITMENTS

As of September 30, 2022, there is a restricted deposit in the amount of \$54, which has been pledged as security to Israeli and Canadian banks to secure credit cards issuance.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions.

This would include the Company's senior management, who are considered to be key management personnel by the Company and members of its board of directors.

Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company has transactions with key management personnel, as follows:

<u>(USD in thousands)</u>	Nine months period ended September 30	
	2022	2021
Management compensation	490	134
Share-based compensation	70	20

<u>(USD in thousands)</u>	September 30,	December 31,
	2022	2021
Balances owing to the CEO	18	27
Balances owing to the CFO	18	12
Balances owing to the VP of Strategic Development	6	18
Balances owing to directors	90	92

OUTSTANDING SHARE DATA

As of November 23, 2022, the outstanding shares data is as follows:

- (i) 42,732,729 Common Shares were issued and outstanding.
- (ii) 4,151,995 Stock Options outstanding with an exercise price of CAD \$0.80 per share.
- (iii) 15,223,806 Common Share purchase warrants outstanding, each of which represents the right to acquire 15,223,806 Common Shares with an exercise price of CAD \$1.20 per share.

CRITICAL ACCOUNTING ESTIMATES

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

Management uses estimates and related assumptions which are based on previous experience and various commercial, economic, and other factors 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 values, 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 (especially those related to volatility) could result in very different outcomes.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES

The Company's financial instruments consist of cash and cash equivalents and, unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values unless otherwise noted.

Management understands that the Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates as its operations are located in Israel, the Company's functional currency is the CAD, and the Company's presentation currency is the USD.

The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The board of directors of the Company approves and monitors the risk management process. The overall objectives of the board of directors are to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Assets and liabilities recorded at fair value in the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

1. Credit Risk: The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments is remote.
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 September 30, 2022, the Company had a \$2,707 working capital balance (December 31, 2021 - \$1,177), 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. Interest Rate Risk: The Company has no interest-bearing debt.
4. Foreign Currency Risk: The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company has purchases that are denominated in a currency other than the functional currency of the Company, the Canadian dollar. These transactions are primarily denominated in U.S. dollars and New Israeli Shekels. The Company does not currently enter into forwarding currency contracts to mitigate this risk.
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

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 62 to 69 of the Company's Filing Statement dated May 12, 2022, a copy of which is available under the Company's SEDAR profile at www.sedar.com.

SUBSEQUENT EVENTS

On November 7, 2022, the TSXV approved an issuing at a premium over the current Common Share price to settle certain EnerSpar's debts prior to RTO. The Company offered 170,195 Common Shares at a deemed price of CAD \$0.80 per share to settle indebtedness of CAD \$136 thousand owed to certain senior officers, directors, creditors, and consultants of EnerSpar. In addition, the TSXV approved additional securities for debt settlement to settle additional debts in the amount of CAD \$75 thousand with the issuance of 178,571 Common Shares of the Company at a deemed price of CAD \$0.42 per share. These debts were incurred during the recent RTO.

Further to the customary conditions and the TSXV approval, the issued Common Shares are subject to a four-month plus one-day hold period pursuant to the policies of the TSXV.

NurEoxne Biologic Inc.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

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.