NurExone Biologic Inc

Interim Management's Discussion and Analysis – Quarterly Highlights

For the three months period ended March 31, 2024

(Expressed in thousands of U.S. dollars)

Dated May 28, 2024

This Management's Discussion and Analysis **("MD&A")** relates to the operating results and financial position and cash flows of NurExone Biologic Inc. (the "**Company**" or "**NurExone**"), formerly EnerSpar Corp. ("**EnerSpar**"), and its wholly-owned subsidiary NurExone Biologic Ltd. (the "**Subsidiary Company**" or "**NurExone Ltd**"), a private company incorporated under the laws of Israel on June 17, 2020, as of and for the three months periods ended March 31, 2024, and 2023. This analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company as at and for the three months periods ended March 31, 2024, and 2023 (the **"unaudited condensed interim consolidated financial statements**") and the audited consolidated financial statements of the Company for the years ended December 31, 2023, and 2022 (hereafter the "**Annual Financial Statements**").

The unaudited condensed interim consolidated financial statements of the Company and the Annual Financial Statements 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$" mean the Canadian dollar, the functional currency of the Company. References to the symbol "NIS" mean the New Israeli Shekel, the functional currency of the Subsidiary Company. Except share and per share data and as otherwise set out herein, all amounts expressed herein are in thousands and are in the currency of the United States, denominated by "$" 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 that follows.

The information in this report is dated May 28, 2024. The unaudited condensed interim consolidated financial statements and MD&A were approved by the Company's board of directors for filing on SEDAR+ on May 28, 2024.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A, and in the documents incorporated by reference in this MD&A, constitute "forward-looking information" and "forward-looking statements" (together "forward-looking statements") within the meaning of applicable securities laws and are based on assumptions, expectations, estimates and projections as at the date of this MD&A. Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. Forward-looking statements in this MD&A herein include, but are not limited to, statements with respect to:

- *expected future events and the financial and operating performance of the Company;*
- *research and development milestones described in the "Completion of Research and Development milestones for the three months period ended March 31, 2024 and Future Research development milestones" section;*
- *the establishment of in-house laboratories and offices;*
- *in-vivo experiments for Investigational New Drug ("**IND**") submissions;*
- *IND submissions to the FDA, FDA clearance of the submissions;*
- *clinical trial design,*
- *manufacturing scale-up; and*
- *the first-in-human clinical trial.*

In developing the forward-looking statements in the MD&A, the Company has applied several material assumptions, including:

- *the ability to obtain funding for our operations, research and commercial activities;*
- *the Company pursuing it business model and strategic plans;*
- *the success of research and development operations;*
- *the developing and commercializing product candidates;*
- *the Company commercializing, marketing and manufacturing capabilities and strategy being conducted as intended;*
- *positive market conditions;*
- *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;*
- *the success of research and development operations;*
- *estimates of our expenses, future revenue, capital requirements and our needs for additional financing;*
- *our expectations regarding market risk, including interest rate changes and foreign currency fluctuations; the continuation of laboratories and office lease agreements;*
- *reliance on key personnel and management;*
- *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;*
- *our ability to execute on our business strategy;*
- *disruptions or changes in the pharmaceutical technology industry;*
- *unanticipated costs and expenses;*
- *general market and industry conditions;*
- *the availability of financing on reasonable terms; and*
- *the general business and economic conditions of the industries and countries in which we operate. For more information, see the "Working Capital Discussion" section.*

Forward-looking statements are, by their nature, not guarantees of the Company's future operational performance and are subject to risks and uncertainties and other factors that could cause the Company's actual results to differ materially from those expressed in or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to:

- *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;*
- *the success of research and development operations;*
- *estimates of our expenses, future revenue, capital requirements and our needs for additional financing;*
- *our expectations regarding market risk, including interest rate changes and foreign currency fluctuations; the continuation of laboratories and office lease agreements;*
- *reliance on key personnel and management;*
- *disruptions or changes in the pharmaceutical technology industry;*

- *unanticipated costs and expenses;*
- *general market and industry conditions;*
- *those risk factors identified under the heading "Risks and Uncertainties";*
- *the state of war in Israel and potential effects on the Company's operations;*
- *disclosures under the heading "Subsequent Events";*
- *overall economic conditions;*
- *rapid technological changes;*
- *demand for our product;*
- *the introduction of competing technologies;*
- *competitive pressures;*
- *network restrictions;*
- *fluctuations in foreign currency exchange rates; and*
- *other similar factors that may cause the actual results, performance or achievements to differ materially from those expressed or implied in these forward-looking statements.*

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required pursuant to applicable securities law. All forward-looking statements contained in the MD&A are expressly qualified in their entirety by this cautionary statement.

COMPANY OVERVIEW

The Company is a reporting issuer in British Columbia, Alberta, and Ontario. The Company was incorporated under the laws of Alberta and has a registered office located at Suite 1600, 1 First Canadian Place, 100 King Street West, Toronto, ON M5X 1G5, Canada. The Company's common shares ("**Common Shares**") trade on the TSX Venture Exchange ("**TSXV**") under the symbol "NRX" and in Germany under the symbol "J90" on the Frankfurt Stock Exchange, German Composite, Stuttgart Stock Exchange, and Munich Stock Exchange. On April 25, 2024, the Company received Depository Trust Company ("**DTC**") eligibility for its shares on the OTCQB under the symbol NRXBF. The business of the Company underwent a fundamental change on June 15, 2022, with the closing of the reverse takeover transaction ("**RTO**"), as described herein. Prior to the RTO, the assets related to the former business of the Company, the exploration of the Johan Beetz feldspar project in Quebec, were dividended out to the former shareholders by way of a spin-out transaction of 1222150 BC Limited, which continued as an unlisted private company. The Company continued the business of NurExone Ltd following the RTO, being a pharmaceutical technology company that is developing an off-the-shelf, non-invasive unique, and novel treatment for the reversal or reduction of paralysis following Spinal Cord Injury ("**SCI**") using exosome-based (membrane-bound extracellular vesicles) patent-pending technology. The Company's research and development activities are based in Israel. The treatment is based on licensed technologies from two of Israel's leading universities, which have been proven in preclinical studies.

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

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

The Company has completed a Pre-IND meeting with the FDA in connection with the manufacturing, preclinical, and clinical development plan of ExoPTEN, NurExone's first ExoTherapy product, after receiving a written response from the FDA on August 29, 2023. A Pre-IND meeting offers open communication between applicants and the FDA, enabling the applicants to receive information regarding the preparation of an IND application and guidance for the clinical studies of the Company's ExoPTEN drug. The FDA provided clear and valuable guidance on the chemistry manufacturing and controls and agreed that our proposed ExoPTEN release testing strategy would be expected to adequately control for safety of the ExoPTEN for use in the planned first-in-human clinical trial.

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

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

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

Significant developments for the three months period ended March 31, 2024

(1) On January 5, 2024, the Company announced that it has closed a non-brokered private placement (the "**Private Placement**"). An aggregate of 7,091,993 units of the Company (each a "**Unit**") were issued and sold under the Private Placement at a price of CAD$0.28 per Unit for aggregate proceeds of $1,487 (CAD$1,986).

Each Unit consisted of (i) one Common Share, and (ii) one Common Share purchase warrant (each, a "**Warrant**"). Each Warrant entitles the holder thereof to purchase one Common Share at a price of CAD$0.35 per Common Share for a period of 36 months from the closing of the Private Placement. The Warrants are subject to accelerated expiration whereby if the daily volume weighted average trading price of the Common Shares on the TSXV for any period of 20 consecutive trading days equals or exceeds CAD$0.80, the Company may, upon providing written notice to the holders of the Warrants (the "**Acceleration Notice**"), accelerate the expiry date of the Warrants to a date not less than 30 days following the date of the Acceleration Notice. If the Warrants are not exercised by the applicable accelerated expiry date, the Warrants will expire and be of no further force or effect. All securities issued under the Private Placement are subject to a statutory hold period of four months and one day from the closing of the Private Placement.

The Warrants meet the fixed-to-fixed criteria under IAS 32, and as a result, they are classified as warrants equity. The Warrants were accounted for at a fair value of $921 using the Black-Scholes model with the following key assumptions: risk-free interest rate at 3.83%, expected volatility at 94.29%, expected life (years) at 3.0, and expected dividend yield at 0.

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

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

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

(5) On February 6, 2024, the Company executed several ad-hoc service agreements pertaining to its anticipated Over-The-Counter ("**OTC**") Markets listing, outlined as follows: (i) Engagement with Nauth LPC for U.S. Corporate and Securities law advice related to the Company's OTC Markets listing and DTC common shares eligibility, incurring a total fee of $10 (CAD$13 plus HST of 13%); (ii) Engagement with Globex Transfer,

LLC for DTC Advisory services, incurring a total fee of $13.5; and (iii) Engagement with Glenridge Partners LLC to assist in providing the necessary information for Form 15c-211, incurring a total fee of $7.5.

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

(7) On March 22, 2024, the Company completed the acceleration of 12,682,340 Warrants issued pursuant to a private placement of units that closed on June 15, 2022. Following the Acceleration Event, 9,684,993 Warrants were exercised at the cash exercise price of CAD$0.38, for gross proceeds of $2,714 (CAD$3,680), while the remaining 2,997,347 Warrants were expired unexercised. Furthermore, following the private placement of units that concluded on September 6, 2023, a total of 556,818 Class A Warrant were exercised at the cash exercise prices of CAD$0.34 for gross proceeds of $140 (CAD$190), and a total of 181,818 Class B Warrant were exercised at the cash exercise prices of CAD$0.48 for gross proceeds of $65 (CAD$87).

Going Concern

The Company is in the research and development stage. The Company has incurred net losses each year since its inception, including net loss of $922 and $705 for the three months ended March 31, 2024, and 2023, respectively. As of March 31, 2024, the Company had an accumulated deficit of $14,979 compared to $14,057 as of December 31, 2023. Management believes the Company may not have sufficient funds to cover planned operations through 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

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

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

SELECTED FINANCIAL INFORMATION

Summary of the unaudited financial data was prepared in accordance with IFRS and is presented for the three months period ended March 31, 2023, and 2022:

(USD in thousands)	Three months ended March 31, 2024 Unaudited	2023 Unaudited	Change
Research and development expenses, net	$ 225	$ 374	$ (149)
General and administrative expenses	695	345	350
Operating loss	**920**	**719**	**201**
Finance (income) expenses, net	2	(14)	16
Net loss	**922**	**705**	**217**
Other comprehensive (income) loss:			
Items that may be reclassified to profit or loss (*)	(16)	13	(29)
Items that will not be reclassified to profit or loss (**)	61	5	56
Total comprehensive loss	**$ 967**	**$ 723**	**$ 244**
Basic and diluted loss per share	$ 0.016	$ 0.016	$ -
Weighted average number of common shares – basic and diluted	56,528,121	42,855,159	13,672,962

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

Research and development expenses, net

For the three months period ended March 31, 2024, research and development expenses amounted to $225, compared to $374 for the same period in 2023. The decrease of $149 was largely attributable to received governmental grant, and reductions in stock-based compensation, subcontractor and materials expenses.

The changes for the three months period ended March 31, 2024, compared to the same period in 2023, were mainly a result of an increase of $10 in salaries and related expenses, a decrease of $76 in share-based compensation due to forfeited stock options, a research and development income of $20 from received governmental grant, and a decrease in subcontractors and martial expenses of $63.

General and administrative expenses

For the three months period ended March 31, 2024, general and administrative expenses amounted to $695 compared to $345 for the same period in 2023. The increase of $350 was largely attributable to costs relating to public and investors relations services.

The changes for the three months period ended March 31, 2024, compared to the same period in 2023, were mainly a result of the increase of $270 in service providers, an increase of $13 in salaries driven by employee recruitment, an increase of $73 in share-based compensation expenses, a decrease of $14 in insurance expenses, a decrease of $29 in legal expenses, and an increase of $37 in other expenses.

Operating loss

For the three months period ended March 31, 2024, operating loss amounted to $920, compared to $719 for the same period in 2023. The increase of $201 was largely attributable to general and administrative expenses.

The changes for the three months period ended March 31, 2024, compared to the same period in 2023, were mainly a result of the decrease of $149 was largely attributable to governmental grant and reduction in stock-based compensation, subcontractor and materials expenses, and an increase of $350 was largely attributable to costs relating to public and investors relations services.

Financial (income) expenses, net

For the three months period ended March 31, 2024, finance expenses amounted to 2, compared to finance income of $14 for the same period in 2023. The increase in finance expenses of $16 was driven by income from bank interest.

The changes for the three months period ended March 31, 2024, compared to the same period in 2023, resulted mainly from an increase of $14 in a revaluation of a royalty liability, an increase of $14 in the income of deposit interest, and a decrease of $12 in exchange rate differences.

Completion of Research and Development milestones for the three months period ended March 31, 2024, and Future Research and Development milestones:

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

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

(1) On March 1, 2024, NurExone Ltd entered into a laboratories and offices Lease Agreement with Technion and commenced a construction project with Biopharmax to establish in-house laboratories and offices. ("F*INANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS*" section).

(2) On April 1, 2024, NurExone Ltd entered into a CRO services agreement with Vivox. Vivox will provide CRO services to NurExone, as a prerequisite to commencing Human Trials under the planned Investigational New Drug. ("*SUBSEQUENT EVENTS*" section).

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

(4) Preparation for the initiation of Phase I clinical trials, as follows:

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

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

1. Clinical Site Selection: Identify and prepare clinical trial sites and investigators.
2. Patient Recruitment: Begin recruiting patients for Phase I/IIa clinical trials.
3. Initiate Phase I clinical trials with a small group of patients to assess safety and dosing.

(*) The timeline may vary based on development outcomes, unforeseen circumstances, and the complexity of the process.

Summary of the financial position was prepared in accordance with IFRS and is presented as of March 31, 2024, and December 31, 2023:

(USD in thousands)	March 31 2024 Unaudited	December 31, 2023	Change
Total current assets	$ 3,677	$ 1,982	$ 1,695
Total non-current assets	465	188	277
Total current liabilities	362	1,908	(1,546)
Total non-current liabilities	149	73	76
Total equity	$ 3,631	$ 189	$ 3,442

Total current assets

Total current assets as of March 31, 2024, amounted to $3,677, representing an increase of $1,695 compared to December 31, 2023, which amounted to $1,982.

The change is mainly a result of $1,197 from restricted cash associated with private placement as of December 31, 2023, and an increase of $2,714 in cash associated with completed private placement and exercise of warrants.

Total non-current assets

Total non-current assets as of March 31, 2024, amounted to $465, representing an increase of $277, compared to December 31, 2023, which amounted to $188. The change is mainly a result of the laboratory purchasing equipment and leasehold improvements totaling $241.

Total current liabilities

Total current liabilities as of March 31, 2024, amounted to $362, representing a decrease of $1,546 compared to December 31, 2023, which amounted to $1,908.

The change is a result of a decrease in other accounts payable of $215, a decrease in employee and payroll accrual of $68, a decrease of $1,197 in financial liability associated with private placement, and a decrease in advanced income from governmental grants of $66.

Total non-current liabilities

Total non-current liabilities as of March 31, 2024, amounted to $149, representing an increase of $76 compared to December 31, 2023, which amounted to $73.

The change is a result of an increase in royalty payment to TRDF of $7, an increase of $47 in liability associated with governmental grants (IIA), and an increase in lease liability of $22.

Total equity

Total shareholder equity as of March 31, 2024, amounted to $3,631 representing an increase of $3,442 compared to December 31, 2023, which amounted to $189.

The change is a result of an increase in foreign currency translation reserve of $45, an increase in share-based payment reserve of $8, an increase in additional paid-in capital of $4,335, an increase of $66 in issued warrants reserve, and an increase in the accumulated deficit of $922 resulting from a loss for the three months period ended March 31, 2024.

SUMMARY OF QUARTERLY RESULTS

Summary of quarterly results that were prepared in accordance with IFRS for the past eight quarters ended March 31, 2024:

	Three months ended			
(USD in thousands)	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**
	Unaudited		**Unaudited**	**Unaudited**
Research and development expenses	$ 225	$ 309	$ 402	$ 457
General and administrative expenses	695	407	762	603
Operating loss	**920**	**716**	**1,164**	**1,060**
Finance (income) expenses, net	2	21	(6)	(20)
Net loss	**922**	**737**	**1,158**	**1,040**
Other comprehensive (income) loss	45	(15)	(24)	(7)
Total comprehensive loss	**$ 967**	**$ 722**	**$ 1,134**	**$ 1,033**
Basic and diluted loss per share	$ 0.016	$ 0.016	$ 0.026	$ 0.024
Weighted average number of common shares – basic and diluted	56,528,121	44,722,288	43,533,560	42,855,159

	Three months ended			
(USD in thousands)	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**
	Unaudited		**Unaudited**	**Unaudited**
Research and development expenses	$ 374	$ 385	$ 422	$ 303
General and administrative expenses	345	456	566	1,181
Listing expenses	-	-	39	2,039
Operating loss	**719**	**841**	**1,027**	**3,523**
Finance (income) expenses, net	(14)	173	14	276
Net loss	**705**	**1,014**	**1,041**	**3,799**
Other comprehensive (income) loss	18	(28)	57	45
Total comprehensive loss	**$ 723**	**$ 986**	**$ 1,098**	**$ 3,844**
Basic and diluted loss per share	$ 0.016	$ 0.027	$ 0.030	$ 0.116
Weighted average number of common shares – basic and diluted	42,855,159	37,733,703	36,086,385	32,885,406

Research and development expenses

Research and development expenses were generally lower at the fourth quarter of 2023, compared to the subsequent quarters of 2023 and 2022.

These changes were largely attributable to a reduction in stock-based compensation, subcontractor and materials expenses.

Since 2022, the research and development expenses increased due to an additional headcount in the research and development department, an increase in patent maintenance and registration, and the extension of the sponsored research agreement with TRDF for the Company's ExoPTEN product development.

General and administrative expenses

General and administrative expenses increased by $288 in the first quarter of 2024 compared to the fourth quarter of 2023, subsequent to engaging in additional services, which include: investor relations, strategic planning, and business development services. Prior to that, General and administrative expenses increased by $258 in the second quarter compared to the first quarter of 2023, mainly driven by granted stock options as non-cash costs.

From the third quarter of 2022 to the first quarter of 2023, the general and administrative expenses were lower.

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 March 31, 2024:

(USD in thousands)	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
	Unaudited		Unaudited	Unaudited
Total current assets	$ 3,677	$ 1,982	$ 1,279	$ 1,069
Total non-current assets	465	188	132	142
Total current liabilities	362	1,908	623	437
Total non-current liabilities	149	73	67	84
Total equity	$ 3,631	$ 189	$ 721	$ 690

(USD in thousands)	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
	Unaudited		Unaudited	Unaudited
Total current assets	$ 1,901	$ 2,692	$ 3,402	$ 4,408
Total non-current assets	143	102	114	111
Total current liabilities	569	603	699	660
Total non-current liabilities	81	95	110	109
Total equity	$ 1,394	$ 2,096	$ 2,707	$ 3,750

Total current assets

Total current assets increased in the first quarter of 2024, primarily due to fundraising in January 2024 and warrants exercise. However, from the third quarter of 2022 to the third quarter of 2023, total current assets decreased as a result of reduced cash and cash equivalents and lower fundraising gross proceeds compared to the burn rate.

Prior to the third quarter of 2022, total current assets increased due to an increase in cash and cash equivalents 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.

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 first quarter of 2024, and an increase in the right-of-use assets from the fourth quarter of 2023.

Total current liabilities

Total current liabilities increased mainly in the fourth quarter of 2023, due to the liability associated with private placement. Prior to the second quarter of 2022, total current liabilities were higher as a result of convertible notes, that were converted as equity, and the reclassification of warrant derivatives as warrant equity in the second quarter of 2022.

Total non-current liabilities

Total non-current liabilities increased mainly in the first quarter of 2024 due to the liability associated with governmental grants from Israeli Innovation Authority ("**IIA**"), and an increase in lease liability.

Total equity

Total shareholder equity increased in the first quarter of 2024 due to an increase in additional paid-in capital driven by the completion of fundraising and warrants exercise.

However, since the second quarter of 2022, 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 March 31, 2024, and 2023:

(USD in thousands)	Three months ended March 31,		
	2024	**2023**	**Change**
	Unaudited	**Unaudited**	
Net cash used in operating activities	$ (1,465)	$ (823)	$ (642)
Net cash used in investing activities	(241)	(52)	(189)
Net cash provided by financing activities	4,398	(8)	4,406
Effect of exchange rate changes on cash	22	8	14
Net (decrease) increase in cash	2,714	(875)	3,589
Cash at the beginning of the period	541	2,463	(1,922)
Cash at the end of the period	$ 3,255	$ 1,588	$ 1,667

Cash flows from operating activities

The cash used in operating activities for the three months period ended March 31, 2024, was $1,465, compared to $823 for the same period in 2023, representing an increase of $642 which are attributed to the main following factors:

- The net loss for the three months period ended March 31, 2024, was $922, as compared to the same period in 2023, being $705, which represents an increase of $217, driven by the Company's core research and development activities.
- The depreciation and amortization for the three months period ended March 31, 2024, was 15 as compared to the same period ended in 2023, being $6, which represents an increase of $9.
- The share-based compensation for the three months period ended March 31, 2024, was 17 as compared to the same period ended in 2023, being $1, which represents an increase of $16, mainly driven by share-based compensation expenses .
- The royalty payments revaluation for the three months period ended March 31, 2024, was $7, as compared to the same period in 2023, being ($27), which represents an increase of $34.
- The decrease in advanced income from governmental grants for the three months period ended March 31, 2024, was ($19), as compared to the same period in 2023, being 0.
- The employees and payroll accruals for the three months period ended March 31, 2024, was ($69), as compared to the same period in 2023, being ($11) which represents an increase of $58.

Cash flows from investing activities

The cash used in investing activities for the three months period ended March 31, 2024, was $241, as compared to the same period in 2023, being $52 which represents an increase of $189, which mainly resulted from the purchasing lab equipment and leasehold improvement.

Cash flows from financing activities

The cash used in financing activities for the three months period ended March 31, 2024, was $4,398, as compared to the same period in 2023, being ($8), which represents an increase of $4,406 and is largely the result of the following factors:

- The proceeds from the issuance of private placement for the three months period ended March 31, 2024, was $566, as compared to the same period in 2023, being $0.
- The proceeds from the issuance of warrants reserve for the three months period ended March 31, 2024, was $921, as compared to the same period in 2023, being $0.
- The proceeds from the exercise of warrants for the three months period ended March 31, 2024, was $2,919, as compared to the same period in 2023, being $0.

WORKING CAPITAL DISCUSSION

As of March 31, 2024, the Company's working capital was $3,315, as compared to $74 as of December 31, 2023, which is mainly a result of an increase in cash and cash equivalents, which as of March 31, 2024, amounted to $3,255 compared to $541 as of December 31, 2023, primarily driven by private placement and exercise warrants during the first quarter of 2024.

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 September 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 $1.
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 $2, and $1, respectively.

License Agreement:

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

In consideration for the exclusive worldwide license agreement:

a) Shares issuance - the Company issued 1,683,000 common shares to Ramot and 3,927,000 warrants to purchase shares to TRDF at an exercise price of CAD$0.005 for common shares, which were fully exercised in February 2021, for a total amount of $16.
b) License fee - the Company paid a one-time license fee of $40 to TRDF.
c) Royalty payments - the Company shall pay TRDF the following payments:
   1. 4.25% on net sales of products sold by the Company or its affiliates; and
   2. 50% of the amounts received by the Company or its affiliates on account of sales of products by sublicensees, but in any case, not less than 2% nor exceed 4.25% of the net sales of the sublicensee.
d) The Company shall also pay sublicense fees at the rate of 16%.
e) A minimum royalty payment of $20 payable as of the 3rd anniversary in 2023, which shall increase by 30% year over year in 2024, 2025, and 2026, to a maximum amount of $50 in 2027 and further.
   The Company's aggregate contingent obligations for payments to TRDF, based on the license term for a minimum royalty payment, as of and for the period ended March 31, 2024, and December 31, 2023., amounted to a fair value of:

	March 31, 2024	December 31, 2023
	Unaudited	
Current – other payables	$ 26	$ *20
Non-Current – royalty payments	-	*75
Total	**$ 26**	**$ 97**

* Reclassified

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

Secured credit cards

As of March 31, 2024, there is a restricted deposit in the amount of $32, which has been pledged to secure credit cards of $17 and $15 as security to an Israeli bank and a Canadian bank, respectively.

CONTRACT ENGAGEMENTS

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

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

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

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

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

Further to the completion of the first milestone and as of March 31, 2024, NurExone Ltd decided to halt the project until further notice.

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

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	Three months ended March 31,	
	2024	**2023**
	Unaudited	**Unaudited**
Key management personnel – Salary and related expenses	$ 130	$ 128
Key management personnel – Share-based compensation	14	7
Director's fees – Service provider expenses	5	8
Director's fees – Share-based compensation	8	4
Total	$ 157	$ 147

Balances	March 31, 2024 Unaudited	December 31, 2023
Balances owing to the Chief Executive Officer	$ 50	$ 71
Balances owing to the Chief Financial Officer	42	71
Balances owing to the Vice President of Strategic Development	30	56
Balances owing to directors	11	9
Total	$ 133	$ 207

Related Party

The company engages in transactions and maintains financial balances with Technion and TRDF, a subsidiary of the Technion and a pivotal vendor and primary shareholder. As of March 31, 2024, TRDF holds 3,927,000 Common Shares, constituting 5.1% on a fully diluted Common Shares and Warrants basis.

Signed Date	Type of Agreement (*)		Service Period and additional details	Total Consideration
June 23, 2020	License Agreement		September 2020 – October 2021	$40
August 18, 2021	License Agreement	1st Amendment	Fundraising milestones update	-
January 25, 2022	License Agreement	2nd Amendment	Patents extension	-
	License Agreement	Royalty payment	3rd anniversary – June 23, 2023	$20
February 15, 2021	Sponsored Research		Sep 2020 – Dec 2021	$621
October 12, 2021	Sponsored Research	1st Amendment	Period extension: Jan 2022 – Mar 2022	-
April 1, 2022	Sponsored Research	2nd Amendment	April 2022 – September 2023	$411
May 15, 2022	Lab Services		May 2022 – December 2022	$30
February 27, 2023	Lab Services		January 2023 – June 2023	$43
July 3, 2023	Lab Services		July 2023 – September 2023	$20
October 15, 2023	Lab Services		October 2023 – December 2023	$20
February 15, 2024	Lab Services		January 2024 – March 2024	$20
	Other Services		January 2023 – March 2023	$1
	Other Services		April 2023 – June 2023	$7
	Other Services		July 2023 – September 2023	$5
	Other Services		October 2023 – December 2023	$2
	Other Services		January 2024 – March 2024	$6

(*) 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 with Technion and TRDF are as follows:

Assets related to related party transactions	March 31, 2024 Unaudited	December 31, 2023
Restricted deposit for lease agreement	$ 14	$ -

Liabilities related to related party transact	March 31, 2024 Unaudited	December 31, 2023
Other account payables	$ -	$ 52

Expenses	Three months ended March 31, 2024 Unaudited	2023 Unaudited
Transactions	$ 22	$ 159

OUTSTANDING SHARE DATA

As of May 28, 2024, the outstanding shares data is as follows:

(1) 67,105,428 Common Shares were issued and outstanding.
(2) 5,664,524 Common Share purchase options, of which 3,152,395, 1,084,109, and 1,428,020 Common Share purchase options are each exercisable for one Common Share at a price of CAD$0.33, CAD$0.32, and CAD$0.28 per Common Share, respectively.
(3) 11,747,905 Common Share purchase warrants, of which 2,140,456, 7,091,993, and 2,515,456 Common Share purchase warrants have the right to acquire one Common Share at an exercise price of CAD$0.34, CAD$0.35, and CAD$0.48 per Common Share, respectively.

RISKS AND UNCERTAINTIES

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

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

Economic Conditions

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

(1) On April 1, 2024, the Company announced a strategic service agreement with Vivox Ltd. ("**Vivox**"), a leading provider of animal testing and services in Israel to biotech and pharmaceutical companies. Vivox will provide Contract Research Organization ("**CRO**") services to NurExone, as a prerequisite to commencing Human Trials under the planned Investigational New Drug. The scope of the services to be provided includes the carrying out of experiments by Vivox on a total of 100 rats, divided into 5 different experiments, over a period of up to fifteen months. The total amount for these services is $131 (NIS 481 plus VAT), with a 50% upfront payment required. The remaining amount shall be paid in four installments over the service period.

(2) On April 25, 2024, the Company received DTC eligibility for its shares on the OTCQB under the symbol NRXBF. DTC eligibility expands the Company's stock reach to a wider audience of potential investors and brokerage firms that mandate additional compliance measures, thereby enhancing accessibility and potentially boosting liquidity through online transactions.

ADDITIONAL INFORMATION

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

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