NurExone Biologic Inc

Interim Management's Discussion and Analysis – Quarterly Highlights

For the six months period ended June 30, 2024

(Expressed in thousands of U.S. dollars)

Dated August 27, 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 six months periods ended June 30, 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 six months periods ended June 30, 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 August 27, 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 August 27, 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 six months period ended June 30, 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;*
- *the first-in-human clinical trial.*
- *the Company making progress in its development of ExoPTEN, the Company's first ExoTherapy product;*

- *the exosomes becoming an ideal and natural choice for drug delivery; and*
- *partnerships with various organizations helping further the Company's drug development and delivery goals*

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 maintaining its intellectual property rights;*
- *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;*
- *the ability to engage and retain the employees or consultants required to grow our business;*
- *the 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;*
- *the uncertainty of preclinical drug development, and the fact that drug product candidates may not advance to clinical trials;*

- *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;*
- *protection of the Company's intellectual property;*
- *dependence on the Company's strategic partners;*
- *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 Adelaide St. East, Suite 801, Toronto, Ontario, M5C 2V9, 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's common stock was quoted on the Pink Sheets platform operated by OTC Markets Group Inc. ("**OTC**") and received Depository Trust Company ("**DTC**") eligibility under the symbol "NRXBF". On May 6, 2024, the Company's common stock was approved for uplisting from the OTC Pink Sheets to the OTCQB Venture Market ("**OTCQB**"), retaining the symbol "NRXBF".

Reverse takeover of EnerSpar

On June 15, 2022, the Company (formerly EnerSpar) completed the reverse takeover transaction ("**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.

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.

Description of the Company's Principal Businesses and Operations

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.

On June 23, 2020, 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 fourth 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 six-month period ended June 30, 2024

(1) On January 4, 2024, the Company had 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 in 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 in September 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 VAT.

(4) On January 15, 2024, the Company entered into an Advertising Agreement with BullVestor Medien GmBH ("**BullVestor**") and its general manager Helmut Pollinger, both of whom are arm's-length parties to the Company. The agreement is for the provision of digital marketing services from January 15, 2024, and until May 15, 2024. These services include content creation, strategic planning, digital advertisement placement, and oversight of digital campaigns targeting German-speaking countries. The Company agreed to a total of CAD$300 (inclusive of applicable taxes) and advanced the full payment upfront.
On June 11, 2024, the Company entered into an amending agreement (the "**Amending Agreement**") with BullVestor, modifying the original agreement dated in January 2024. Under this Amending Agreement, BullVestor will continue to provide investor relations services to the Company from June 15, 2024, until May 15, 2025, at a monthly rate of CAD$59 (inclusive of applicable taxes).

(5) On February 6, 2024, the Company executed several ad-hoc service agreements pertaining to its anticipated 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 CAD$13 plus HST; (ii) Engagement with Globex Transfer, LLC for DTC Advisory services, incurring

a total fee of $13.5 (inclusive of applicable taxes); 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 (inclusive of applicable taxes).

(6) 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).

(7) On May 29, 2024, NurExone Ltd amended the lab services agreement with TRDF from April 1, 2024, until June 30, 2024, for a total payment of $20 plus VAT.

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 $2,247 and $1,745 for the six months ended June 30, 2024, and 2023, respectively. As of June 30, 2024, the Company had an accumulated deficit of $16,304 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.

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, prepared in accordance with IFRS and is presented for the six-month periods ended June 30, 2024, and 2023:

(USD in thousands)	Six months ended June 30, 2024 Unaudited	2023 Unaudited	Change
Research and development expenses, net	$ 733	$ 831	$ (98)
General and administrative expenses	1,507	948	559
Operating loss	**2,240**	**1,779**	**461**
Financial expenses	28	2	26
Financial income	(21)	(36)	15
Net loss	**2,247**	**1,745**	**502**
Other comprehensive (income) loss:			
Items that may be reclassified to profit or loss (*)	26	62	(36)
Items that will not be reclassified to profit or loss (**)	70	(51)	121
Total comprehensive loss	**$ 2,343**	**$ 1,756**	**$ 587**
Basic and diluted loss per share	$ 0.037	$ 0.041	$ (0.004)
Weighted average number of common shares – basic and diluted	61,488,044	42,855,159	18,632,885

(*) Exchange loss arising on translation of foreign operations.
(**) Loss (gain) from foreign currency translation adjustments.

Research and development expenses, net

For the six months period ended June 30, 2024, research and development expenses, net amounted to $733, compared to $831 for the same period in 2023. The $98 decrease was largely attributable to received governmental grants, reductions in stock-based compensation, and lower subcontractor and materials expenses.

The changes for the six-month period ended June 30, 2024, compared to the same period in 2023, were mainly due to a $53 increase in salaries and related expenses, a $32 decrease in share-based compensation due to forfeited stock options, a $42 in research and development income from received governmental grants, and a $77 decrease in subcontractor and martial expenses.

General and administrative expenses

For the six-month period ended June 30, 2024, general and administrative expenses amounted to $1,507 compared to $948 for the same period in 2023. The $559 increase was largely attributable to costs related to public and investor relations services.

The changes for the six-month period ended June 30, 2024, compared to the same period in 2023, were mainly due to a $584 increase in service providers expenses, a $15 increase in salaries expenses driven by employee recruitment, a $11 increase in share-based compensation expenses, a $28 decrease in insurance expenses, and a $23 decrease in legal expenses.

Operating loss

For the six-month period ended June 30, 2024, operating loss amounted to $2,240, compared to $1,779 for the same period in 2023. The $461 increase was largely attributable to general and administrative expenses.

The changes for the six-month period ended June 30, 2024, compared to the same period in 2023, were primarily due to a $98 decrease in expenses attributable to a received governmental grant, reductions in stock-based compensation, subcontractor, and materials expenses, and a $559 increase in costs related to public and investors relations services.

Financial (income) expenses, net

For the six-month period ended June 30, 2024, finance expenses amounted to $7, compared to finance income of $34 for the same period in 2023. The $41 increase was driven by income from bank interest and the revaluation of royalty payments.

The changes for the six-month period ended June 30, 2024, compared to the same period in 2023, were mainly due to a $27 increase from revaluation of a royalty liability, and a $9 decrease in deposit interest income.

Completion of Research and Development milestones for the six-month period ended June 30, 2024, and upcoming 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 the targets of research and development milestones

(1) 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. Pursuant to the Lease Agreement, the lease period extends for a term of 4 years and 10 months, until December 31, 2028, with an option to extend the term period by an additional period of 5 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 has secured to the Technion an initial deposit payment of $14 (NIS 50), which will be refunded upon the successful completion of the lease period. The lease liability was measured at the present value of the remaining lease payments, considering not to exercise the option, discounted using the Company's incremental borrowing rate. The weighted-average rate applied was 7.5%. Right-of-use assets were measured at an amount equal to the lease liability which amounted to $32, as of June 30, 2024.

Following entering a laboratories and offices lease agreement with the Technion, the Company signed on construction project agreement with Biopharmax Group Ltd ("**Biopharmax**") to establish in-house laboratories and offices on premises located at the Technion City, Haifa, Israel (the "**Project**"). NurExone Ltd agreed to pay Biopharmax a total amount of $328 (NIS 1,200 plus VAT) (the "**Budget**"), which covers all Biopharmax's expenses including salaries, wages, social benefits, tools, materials or equipment supply, storage, and any other expenses incurred during the project, as detailed in the project scope. Payments will be made according to the payment schedule outlined in the construction agreement upon completion of each phase of the project. The project began on March 1, 2024, and is expected to be completed in September 2024.

(2) On April 1, 2024, NurExone Ltd entered into a Contract Research Organization ("**CRO**") services agreement with Vivox Ltd. ("**Vivox**"), which will provide necessary CRO services before starting human trials for the planned Investigational New Drug. The scope of the services will extend over a period of up to 15 months (the "**Service Period**"). The total cost for these services is $131 (NIS 481 plus VAT), with a 50% upfront payment required and the remaining amount to be paid in 4 additional installments over the Service Period.

(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, prepared in accordance with IFRS and is presented as of June 30, 2024, and December 31, 2023:

(USD in thousands)	June 30 2024 Unaudited	December 31, 2023	Change
Total current assets	$ 2,784	$ 1,982	$ 802
Total non-current assets	508	188	320
Total current liabilities	546	1,908	(1,362)
Total non-current liabilities	171	73	98
Total equity	$ 2,575	$ 189	$ 2,386

Total current assets

Total current assets as of June 30, 2024, amounted to $2,784, representing an increase of $802, compared to December 31, 2023, which amounted to $1,982. This increase is primarily due to the decrease of $1,197 in restricted cash related to private placement on December 31, 2023, and an increase of $1,844 in cash resulting from a completed private placement and the exercise of warrants.

Total non-current assets

Total non-current assets as of June 30, 2024, amounted to $508, representing an increase of $320, compared to December 31, 2023, which amounted to $188. This increase is primarily due to expenditure on laboratory equipment and leasehold improvements of the rental of the laboratories and offices, which amounted to $287.

Total current liabilities

Total current liabilities as of June 30, 2024, amounted to $546, representing a decrease of $1,362, compared to December 31, 2023, which amounted to $1,908. This decrease is primarily due to a reduction of $1,197 in financial liabilities related to a private placement, a decrease of $126 in employee and payroll accruals, and a reduction of $93 in advanced income from governmental grants. There was also a $54 increase in other accounts payable.

Total non-current liabilities

Total non-current liabilities as of June 30, 2024, amounted to $171, representing an increase of $98, compared to December 31, 2023, which amounted to $73. This increase is primarily due to an $82 increase in liabilities related to governmental grants from the Israeli Innovation Authority ("**IIA**") and a $23 increase in lease liabilities, offset by a $7 decrease in royalty payments to TRDF.

Total equity

Total shareholder equity as of June 30, 2024, amounted to $2,575 representing an increase of $2,386, compared to December 31, 2023, which amounted to $189. This increase is mainly due to a $4,666 rise in additional paid-in capital, a $96 increase in the foreign currency translation reserve, and a $60 increase in the issued warrants reserve, a $3 increase in the share-based payment reserve. The accumulated deficit also increased by $2,247, reflecting the loss for the six-month period ended June 30, 2024.

SUMMARY OF QUARTERLY RESULTS

Summary of the quarterly results, prepared in accordance with IFRS for the past eight quarters ended June 30, 2024, is as follows:

	Three months ended			
(USD in thousands)	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**
	Unaudited	**Unaudited**		**Unaudited**
Research and development expenses, net	$ 508	$ 225	$ 309	$ 402
General and administrative expenses	812	695	407	762
Operating loss	**1,320**	**920**	**716**	**1,164**
Finance (income) expenses, net	5	2	21	(6)
Net loss	**1,325**	**922**	**737**	**1,158**
Other comprehensive (income) loss	51	45	(15)	(24)
Total comprehensive loss	**$ 1,376**	**$ 967**	**$ 722**	**$ 1,134**
Basic and diluted loss per share	$ 0.022	$ 0.016	$ 0.016	$ 0.026
Weighted average number of common shares – basic and diluted	61,488,044	56,528,121	44,722,288	43,533,560

	Three months ended			
(USD in thousands)	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**
	Unaudited	**Unaudited**		**Unaudited**
Research and development expenses, net	$ 457	$ 374	$ 385	$ 422
General and administrative expenses	603	345	456	566
Listing expenses	-	-	-	39
Operating loss	**1,060**	**719**	**841**	**1,027**
Finance (income) expenses, net	(20)	(14)	173	14
Net loss	**1,040**	**705**	**1,014**	**1,041**
Other comprehensive (income) loss	(7)	18	(28)	57
Total comprehensive loss	**$ 1,033**	**$ 723**	**$ 986**	**$ 1,098**
Basic and diluted loss per share	$ 0.024	$ 0.016	$ 0.027	$ 0.030
Weighted average number of common shares – basic and diluted	42,855,159	42,855,159	37,733,703	36,086,385

Research and development expenses, net

Research and development, net expenses were notably higher in the second quarter of 2024.

This increase was primarily due to an increase in stock-based compensation expenses.

From the third quarter of 2022 to the third quarter of 2023, the research and development expenses, net grew due to an additional headcount in the department, increased patent maintenance and registration costs, and the extension of the sponsored research agreement with TRDF for the Company's ExoPTEN product.

General and administrative expenses

General and administrative expenses increased by $405 in the second quarter of 2024 compared to the fourth quarter of 2023.

This increase was due to additional services, including investor relations, strategic planning, and business development.

Previously, general and administrative expenses also increased by $117 in the second quarter of 2024 compared to the first quarter of 2024, primarily driven by non-cash costs related to granted stock options.

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

Listing expenses

Listing expenses amounted to $39 for the three-month period ended September 30, 2022. 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. This transaction is equivalent to NurExone Ltd, a non-public operating company, issuing shares for the public listing status of EnerSpar.

In total, listing expenses amounted in total to $2,078 in 2022. This includes $1,605 for the fair value of 2,536,000 common shares of EnerSpar at CAD$0.80, $242 for net liabilities of EnerSpar, and $231 for indirect issuance costs, primarily legal expenses.

Operating loss

Operating loss was notably higher in the second quarter of 2024. This increase was primarily due to elevated general and administrative expenses, resulting from engagement in investor relations, strategic planning, and business development services.

Financial (income) expenses

Finance (income) expenses were notably higher in the fourth quarter of 2022. This increase was primarily due to higher financial expenses resulting from the revaluation of warrants and royalty liability.

Summary of the financial position, prepared in accordance with IFRS for the past eight quarters ended June 30, 2024:

(USD in thousands)	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
	Unaudited	Unaudited		Unaudited
Total current assets	$ 2,784	$ 3,677	$ 1,982	$ 1,279
Total non-current assets	508	465	188	132
Total current liabilities	546	362	1,908	623
Total non-current liabilities	171	149	73	67
Total equity	$ 2,575	$ 3,631	$ 189	$ 721

(USD in thousands)	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
	Unaudited	Unaudited		Unaudited
Total current assets	$ 1,069	$ 1,901	$ 2,692	$ 3,402
Total non-current assets	142	143	102	114
Total current liabilities	437	569	603	699
Total non-current liabilities	84	81	95	110
Total equity	$ 690	$ 1,394	$ 2,096	$ 2,707

Total current assets

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

Total non-current assets

Total non-current assets increased in the first and second quarters of 2024 due to the purchase of lab equipment and the implementation of right-of-use assets.

Total current liabilities

Total current liabilities increased mainly in the fourth quarter of 2023, primarily due to the liabilities associated with private placement.

Total non-current liabilities

Total non-current liabilities rose mainly in the second quarter of 2024 due to liabilities related to governmental grants from the IIA and an increase in lease liabilities.

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 the exercise of warrants. However, since the third quarter of 2022, total shareholder equity has decreased due to an increase in accumulated deficit and a reduction in cash assets.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the Company's statements of cash flows as of June 30, 2024, and 2023:

(USD in thousands)	Six months ended June 30, 2024 Unaudited	2023 Unaudited	Change
Net cash used in operating activities	$ (2,335)	$ (1,519)	$ (816)
Net cash used in investing activities	(312)	(54)	(258)
Net cash (used in) provided by financing activities	4,442	(9)	4,451
Exchange differences on balances of cash and cash equivalents	49	(1)	50
Net (decrease) increase in cash and cash equivalents	1,844	(1,583)	3,427
Cash and cash equivalents at beginning of period	541	2,463	(1,922)
Cash and cash equivalents at end of period	$ 2,385	$ 880	$ 1,505

Cash flows from operating activities

The cash used in operating activities for the six-month period ended June 30, 2024, was $2,335, compared to $1,519 for the same period in 2023. This increase of $816 is primarily attributable to the following factors:

- The net loss for the six-month period ended June 30, 2024, was $2,247, as compared to the same period in 2023, being $1,745, which represents an increase of $502 driven by the Company's core research and development activities.
- The depreciation and amortization for the six-month period ended June 30, 2024, was $28, compared to the same period ended in 2023, being $12, which represents an increase of $16.
- The share-based compensation for the six-month period ended June 30, 2024, was $324 as compared to the same period ended in 2023, being $350, which represents a decrease of $26, mainly due to forfeited unvested options and share-based compensation expenses.
- The royalty payments revaluation for the six-month period ended June 30, 2024, was $20, compared to $0 for the same period in 2023.
- The decrease in advanced income from governmental grants for the six-month period ended June 30, 2024, was ($50), compared to $0 for the same period in 2023.
- The employees and payroll accruals for the six-month period ended June 30, 2024, was ($116), as compared to the same period in 2023, being ($26), which represents an increase of $90.

Cash flows from investing activities

The cash used in investing activities for the six-month period ended June 30, 2024, was $312, compared to $54 for the same period in 2023. This increase of $258 is primarily due to expenditure on lab equipment, leasehold improvement of the laboratories and offices, and an increase in restricted cash.

Cash flows from financing activities

The cash (used in) provided by financing activities for the six-month period ended June 30, 2024, was $4,442, compared to ($9) for the same period in 2023. This increase of $4,451 is primarily attributable to the following factors:

- The proceeds from the issuance of private placement for the six-month period ended June 30, 2024, was $566, compared to $0 for the same period in 2023.
- The proceeds from the issuance of warrants reserve for the six-month period ended June 30, 2024, was $921, compared to $0 for the same period in 2023.
- The proceeds from the exercise of warrants for the six-month period ended June 30, 2024, was $2,930, compared to $0 for the same period in 2023.

WORKING CAPITAL DISCUSSION

As of June 30, 2024, the Company's working capital was $2,238, compared to $74 as of December 31, 2023.

This increase is primarily due to a rise in cash and cash equivalents, which amounted to $2,385 as of June 30, 2024, up from $541 as of December 31, 2023. The increase is mainly attributed to a private placement and the exercise of 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.

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 2025 amounted to $1.

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, a related party, based on the license term for minimum royalty payments, as of and for the periods ended June 30, 2024, and December 31, 2023., amounted to the following fair values:

	June 30, 2024	December 31, 2023
	Unaudited	
Current – other payables	$ 59	$ 26
Non-Current – royalty payments	64	71
Total	**$ 123**	**$ 97**

Secured credit cards

As of June 30, 2024, there is a restricted deposit of $41, which has been pledged as security for credit cards of $17 to an Israeli bank and $24 to a Canadian bank.

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.

Following the completion of the first milestone, NurExone Ltd decided to suspend the project until further notice as of March 31, 2024. Should NurExone Ltd choose to continue with the collaboration and complete the product development milestones, both parties will mutually agree on the next steps.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered related if one party can control or exercise significant influence over the other party's financial or operational decisions, or if both parties are controlled by the same third party.

The Company engages in transactions with key management personnel and directors.

Key management personnel compensation

Compensation for key management personnel and directors' fees consisted of the following:

Expenses	Six months ended June 30, 2024 Unaudited	Six months ended June 30, 2023 Unaudited
Key management personnel – Salary and related expenses	$ 385	$ 257
Key management personnel – Share-based compensation	161	202
Director's fees – Service provider expenses	14	7
Director's fees – Share-based compensation	41	31
Total	$ 601	$ 497

Balances	June 30, 2024 Unaudited	December 31, 2023
Balances owing to the Chief Executive Officer	$ 17	$ 71
Balances owing to the Chief Financial Officer	17	71
Balances owing to the Vice President of Strategic Development	6	56
Balances owing to directors	6	9
Total	$ 46	$ 207

Related Party

The company engages in transactions and maintains financial balances with Technion and TRDF, a subsidiary of the Technion, which is a key vendor and primary shareholder

As of June 30, 2024, TRDF holds 3,927,000 Common Shares, representing 5.0% on a fully diluted basis, including Common Shares and Warrants.

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
	License Agreement	Royalty payment	4th anniversary – June 23, 2024	$26
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
May 29, 2024	Lab Services		April 2024 – June 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
	Other Services		April 2024 – June 2024	$14

The transactions and balances between the Company, Technion, and TRDF are as follows:

Assets related to related party transactions	June 30, 2024	December 31, 2023
	Unaudited	
Restricted deposit for lease agreement	$ 14	$ -

Liabilities related to related party transact	June 30, 2024	December 31, 2023
	Unaudited	
Other account payables	$ 57	$ 52

Expenses	Six months ended June 30,		Three months ended June 30,	
	2024	2023	2024	2023
	Unaudited	Unaudited	Unaudited	Unaudited
Transactions	$ 61	$ 188	$ 35	$ 29

The Company anticipates discontinuing the outsourced research, development, and lab services provided by TRDF once the in-house laboratories and offices are completed in September 2024.

In the event that the Company decides to terminate any service agreement, such termination will not affect or result in the termination of the License Agreement with TRDF.

The License Agreement will remain in effect and continue to be valid regardless of the status of any associated service agreements.

This ensures that the Company's obligations under the License Agreement with TRDF will be upheld independently of any changes to service agreements.

OUTSTANDING SHARE DATA

As of August 27, 2024, the data on the outstanding shares is as follows:

(1) 67,489,462 Common Shares were issued and outstanding.

(2) 7,399,424 Common Share purchase options, detailed as follows:

1,815,900 options exercisable at CAD$0.51 per Common Share, 3,101,395 options exercisable at CAD$0.33 per Common Share, 1,084,109 options exercisable at CAD$0.32 per Common Share, and 1,398,020 options exercisable at CAD$0.28 per Common Share.

(3) 2,000,000 Restricted Stock Units.

(4) 11,398,842 Common Share purchase warrants, detailed as follows:

2,140,456 warrants exercisable at CAD$0.34 per Common Share, 6,742,930 warrants exercisable at CAD$0.35 per Common Share, and 2,515,456 warrants exercisable at CAD$0.48 per Common Share.

RISKS AND UNCERTAINTIES

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

(1) In July 2024, the Company issued 309,063 shares of common stock as a result of the exercise of outstanding warrants resulting from a non-brokered private placement that closed on January 4, 2024. These warrants were exercised at a price of CAD$0.35 per share, resulting in total proceeds of CAD$108.

(2) In July 2024, the Company issued 17,971 shares of common stock as a result of the exercise of outstanding stock options. A total of 34,000 options were exercised at a price of CAD$0.33 per share on a 'cashless exercise' basis, resulting in the issuance of 17,971 common shares and the expiration of 16,029 options unexercised.

(3) On August 1, 2024, the Company entered into an investor relation services consulting agreement with Allele Capital Partners, LLC ("**Allele Capital**"). Allele Capital is an independently owned capital markets advisory firm based in the United States. The Company will pay $11 (inclusive of applicable taxes) per month for an initial term of one month and may be extended month-by-month by mutual consent and can be terminated for any reason or no reason with 30 days written notice by either party.

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.