NurExone Biologic Inc

Interim Management's Discussion and Analysis – Quarterly Highlights

For the nine months period ended September 30, 2023

(Expressed in thousands of U.S. dollars)

Dated November 22, 2023

This Management's Discussion and Analysis **("MD&A")** relates to the operating results and financial position and cash flows of NurExone Biologic Inc. (the "**Company**" or "**NurExone**"), formerly EnerSpar Corp. ("**EnerSpar**"), and its wholly-owned subsidiary NurExone Biologic Ltd. (the "**Subsidiary Company**" or "**NurExone Ltd**"), a private company incorporated under the laws of Israel on June 17, 2020, as of and for the nine months periods ended September 30, 2023, and 2022. This analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company as at and for the nine-month periods ended September 30, 2023, and 2022 (the **"unaudited condensed interim consolidated financial statements**").

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

The information in this report is dated November 22, 2023. The unaudited condensed interim consolidated financial statements and MD&A were approved by the Company's board of directors for filing on SEDAR+ on November 22, 2023.

FORWARD-LOOKING STATEMENTS

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

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

In developing the forward-looking statements in the MD&A, the Company has applied several material assumptions, including the availability of financing on reasonable terms; our ability to secure available funding

and to continue as a going concern; the general business and economic conditions of the industries and countries in which we operate; our ability to retain and supplement our board of directors and management and skilled employees, or otherwise engage consultants and advisors, having knowledge of the industries in which we participate; our ability to engage and retain the employees or consultants required to grow our business; and our ability to execute on our business strategy.

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

COMPANY OVERVIEW

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

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

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

Exosomes are natural membrane vesicles, secreted by various cells. They carry proteins, lipids, and genetic materials, facilitating intercellular communication. When intra-nasally administered, exosomes can pass the

Blood-Brain Barrier and are better retained in injury sites than when delivered intravenously. Moreover, they can be loadable with an array of therapeutic cargos for specific diseases. It is expected that this technology, after being approved in clinical trials, can be used in various conditions such as SCI, traumatic brain injury, and potentially other brain and neurological indications.

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

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

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

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

INANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

Significant developments for the three months period ended September 30, 2023

(1) On July 3, 2023, NurExone Ltd amended the lab services agreement with the Technion Research & Development Foundation Ltd. ("**TRDF**") from July 1, 2023, until September 30, 2023, for a total payment of $20 plus 17% VAT.

(2) On July 6, 2023, Dr. Gadi Riesenfeld was appointed to the board of directors of the Company, replacing Mr. Ron Mayron, who resigned for personal reasons.

(3) On August 17, 2023, the Company engaged Stockhouse Publishing Ltd. ("**Stockhouse**") to provide investor awareness and digital media communication services to the Company. Stockhouse will be paid an aggregate cash amount of $89 (CAD$120 plus 5% GST) for its services over a twelve-month period.

(4) On August 29, 2023, the Company entered into an investor relations agreement with Dr. Reuter Investor Relations GmbH ("**Dr. Reuter**") to assist with investor relations and financial publication services for the European capital markets. The Agreement began on September 1, 2023, and runs for a minimum of six months, until February 29, 2024. Dr. Reuter will be paid a monthly fee of $4 (€3.3).

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

Each Unit consists of (i) one Common Share in the capital of the Company; (ii) one-half of one class A Common Share purchase warrant (each whole class A Common Share purchase warrant, a "**Class A Warrant**"); and (iii) one-half of one class B Common Share purchase warrant (each whole class B Common Share warrant, a "**Class B Warrant**" and collectively each whole Class A Warrant and each whole Class B

Warrant, a "**Warrant**"). Each Class A Warrant entitles the holder thereof to purchase one Common Share at a price of CAD $0.34 per Common Share for a period of 24 months following issuance and each whole Class B Warrant entitles the holder thereof to purchase one Common Share at a price of CAD $0.48 per Common Share for a period of 36 months following issuance. The 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$0.69 in respect of the Class A Warrants or CAD$0.83 in respect of the Class B Warrants, the Company may, upon providing written notice to the holders of the Class A Warrants or Class B Warrants, as applicable (the "**Acceleration Notice**"), accelerate the expiry date of the respective Class A Warrants or Class B Warrants to the date that is 30 days following the date of the Acceleration Notice. If the Warrants are not exercised by the applicable accelerated expiry dates, the Warrants will expire and be of no further force or effect. All securities issued under the Private Placement were subject to a statutory hold period of four months and one-day following issuance.

(6) On September 7, 2023, the Company engaged 9456015 Canada Ltd. ("**Canada Ltd**") to provide the following services to the Company: Strategic Planning and Market Analysis, Financial Management and Capital Strategy, and Business Development and Partnering. Pursuant to the terms of the agreement, Canada Ltd will be paid an aggregate cash amount of $223 (CAD$300 plus 13% HST) for its services. Services will be provided in two seven-week sessions, commencing immediately upon payment of the retainer and at the Corporation's discretion within twelve weeks from the end of the first session.

(7) On September 18, 2022, the Company amended the Advisory Agreement with Thesis Capital Inc ("**Thesis**"). Thesis provides investor relations and advisory services to the Company. Pursuant to a consulting agreement, Thesis will provide services for a monthly retainer of $4 (CAD$5.5 plus 13% HST). This agreement shall continue for an initial term of nine months.

(8) On September 21, 2023, the Company was awarded a $274 (1 million NIS), grant by the Israel Innovation Authority ("**IIA**") as part of the Israel-Canada bilateral Eureka program subject to several conditions and fulfillment of additional documents. The grant is for collaboration with Canada-based Inteligex Inc. ("**Inteligex**") to develop an innovative hybrid therapy tailored for the complex chronic spinal cord injury market which as of the financial statement issuance date hasn't been received yet. The awarded grant will fund the first year, starting January 2024, for a twelve-month period, amounting to a project budget of $670 (2.45 million NIS). The company is required to remit royalties from future sales of products and services that stem from technology developed using the granted funds. The two-year collaborative partnership with Inteligex has an overall budget of $1,830; the second-year budget will be requested at a later stage following the completion of the first year.

Going Concern

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

As of September 30, 2023, the Company had cash of $1,143 (December 31, 2022 - $2,463).
The Company had an accumulated deficit of $13,320 as of September 30, 2023, (December 31, 2022 - $10,418).

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

Reverse takeover of EnerSpar

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 nine months period ended September 30, 2023, and 2022:

	Nine months period ended September 30,		
(USD in thousands)	**2023**	**2022**	**Change**
Research and development expenses	$ 1,232	$ 1,006	$ 226
General and administrative expenses	1,709	3,694	(1,985)
Listing expenses	-	2,078	(2,078)
Operating loss	**2,941**	**6,778**	**(3,837)**
Finance (income) expenses, net	(39)	377	(416)
Net loss	**2,902**	**7,155**	**(4,253)**
Other comprehensive (income) loss:			
Items that may be reclassified to profit or loss (*)	91	-	91
Items that will not be reclassified to profit or loss (**)	(104)	96	(200)
Total comprehensive loss	**$ 2,889**	**$ 7,251**	**$ (4,362)**
Basic and diluted loss per share	$ 0.066	$ 0.201	$ (0.135)
Weighted average number of common shares – basic and diluted	43,533,560	36,086,385	7,447,175

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

Research and development expenses

For the nine months period ended September 30, 2023, research and development expenses amounted to $1,232, compared to $1,006 for the same period in 2022. The increase of $226 was largely attributable to the extensive research and development efforts required to continue the development of the siRNA-PTEN technology and other siRNA targets.

The changes for the nine months period ended September 30, 2023, compared to the same period in 2022, were mainly a result of the decrease of $15 in research and development services by TRDF, an increase of $109 in salaries driven by employee recruitment and $72 in Chief Executive Officer's salary expenses allocation from general and administrative expenses to research and development expenses, an increase of $33 in share-based compensation expenses, and an increase of $27, mainly for materials expenses, all attributable to the increased level of research activities as the Company matures as a research and development driven company.

General and administrative expenses

For the nine months period ended September 30, 2023, general and administrative expenses amounted to $1,709 compared to $3,694 for the same period in 2022. The decrease of $1,985 was largely attributable to costs relating to the RTO in the comparative period.

The changes for the nine months period ended September 30, 2023, compared to the same period in 2022, were mainly a result of the decrease of $2,292 in service providers in connection with advisory services related to the RTO, an increase of $31 in salaries driven by employee recruitment, an increase of $212 in share-based compensation expenses.

Listing expenses

For the nine months period ended September 30, 2023, there were no listing expenses incurred, as compared to the same period the same period in 2022, being $2,078. Listing expenses were related to the completion of the RTO of the Company on June 15, 2022.

Operating loss

For the nine months period ended September 30, 2023, operating loss amounted to $2,941, compared to $6,778 for the same period in 2022. The decrease of $3,837 was largely attributable to costs relating to the RTO.

The changes for the nine months period ended September 30, 2023, compared to the same period in 2022, were mainly a result of the increase of $226 in research and development expenses, attributable to the increased level of research activities as the Company matures as a research and development-driven company, a decrease of $1,985 in general and administration expenses, and a decrease of $2,078 in listing expenses, mainly due to decrease in payments to service providers in connection with the RTO.

Financial (income) expenses, net

For the nine months period ended September 30, 2023, financial income amounted to $39, compared to finance expenses of $377 for the same period in 2022. The decrease of $416 was largely attributable to the fundraising in 2022, financial derivatives, and foreign exchange differences.

The changes for the nine months period ended September 30, 2023, compared to the same period in 2022, resulted mainly from a decrease of $29 in convertible notes interest, a decrease of $280 in a revaluation of financial derivatives, a decrease of $60 in a revaluation of a royalty liability, an increase of $45 in the income of deposit interest.

Completion of Research and Development milestones for the nine months period ended September 30, 2023

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

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

√ for completion of research and development milestones

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

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

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

The patent protects NurExone's Exo-PTEN technology and its drug composition, as well as methods for non-invasive intranasal administration of exosome-based treatment. The patent is a result of a productive collaboration between Technion (the Israel Institute of Technology) and Tel Aviv University. NurExone has an exclusive license on the granted patent from TRDF and Ramot at Tel Aviv University Ltd ("**Ramot**"). One of the inventors, Dr. Nisim Perets, is currently leading the technology transfer activities in NurExone's research and development team.

In order to strengthen the Exo-PTEN technology platform protection as well as to further expand NurExone's intellectual property portfolio, the Company filed a child 'continuation' patent application with the USPTO to include additional claims on the method of treatment and indication of the Exo-PTEN platform. In parallel, counterparts of the U.S. patent are being examined in different countries around the world.

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

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

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

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

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

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

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

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

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

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

Future Research and Development milestones

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

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

In addition to potential expenditures not yet committed but required to fund development activities and meet the planned growth strategies of the Company, the Company is subject to certain capital expenditure commitments as set out under the heading "*Commitments and Contingent Liabilities*" below.

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

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

Future research and development milestones	***4Q23***	***1Q24***	***2Q24***	***3Q24***	***4Q24***	***1Q25***	***2Q25***
An orphan-drug designation granted by the FDA [(1)]	√						
Establish in-house laboratories and offices [(2)]	»»»»	⊙					
In-vivo experiments for IND submission [(3)]	»»»»	»»»»	»»»»	»»»»	⊙		
IND submission to the FDA [(4)]	»»»»	»»»»	»»»»	»»»»	»»»»	»»»»	⊙
IND clearance, clinical trial design & manufacturing scale-up [(5)]	»»»»	»»»»	»»»»	»»»»	»»»»	»»»»	⊙
First-in-human clinical trial I/IIa [(6)]	»»»»	»»»»	»»»»	»»»»	»»»»	»»»»	⊙

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

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

(2) Establish in-house laboratories and offices to enhance our research and development capabilities by entering into a lease agreement.

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

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

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

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

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

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

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

(USD in thousands)	September 30 2023	December 31, 2022	Change
Total current assets	$ 1,279	$ 2,692	$ (1,413)
Total non-current assets	132	102	30
Total current liabilities	623	583	40
Total non-current liabilities	67	115	(48)
Total equity	$ 721	$ 2,096	$ (1,375)

Total current assets

Total current assets as of September 30, 2023, amounted to $1,279, representing a decrease of $1,413 compared to December 31, 2022, which amounted to $2,692.

The change is a result of a decrease in cash and cash equivalents of $1,320 and a decrease in other receivables of $93, all reflective of the serious activity levels of the Company in an expensive research environment.

Total non-current assets

Total non-current assets as of September 30, 2023, amounted to $132, representing an increase of $30, compared to December 31, 2022, which amounted to $102.

The change is mainly a result of the laboratory purchasing equipment, net of $45.

Total current liabilities

Total current liabilities as of September 30, 2023, amounted to $623, representing an increase of $40, compared to December 31, 2022, which amounted to $583.

The change is a result of an increase in other accounts payable of $99, a decrease in amounts owed to a director of $22, and a decrease in employee and payroll accrual of $37.

Total non-current liabilities

Total non-current liabilities as of September 30, 2023, amounted to $67, representing a decrease of $48 compared to December 31, 2022, which amounted to $115.

The decrease is $31 in royalty payment to TRDF, allocation to current liability, and a decrease of $17 in lease and royalty liabilities.

Total equity

Total shareholder equity as of September 30, 2023, amounted to $721 representing a decrease of $1,375 compared to December 31, 2022, which amounted to $2,096.

The change is a result of an increase in foreign currency translation reserve of $13, an increase in share-based payment reserve of $412, a decrease in the expiration of employee options of $59, an increase from the repricing of employees options of $48, an increase in additional paid-in capital of $906, an increase of $324 in issued warrants reserve, a decrease in expired warrants of $38, a decrease in repriced warrants of $79, and an increase in the accumulated deficit of $2,902 resulting from a loss for the nine months period ended September 30, 2023.

SUMMARY OF QUARTERLY RESULTS

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

(USD in thousands)	Three months period ended September 30, 2023	Three months period ended June 30, 2023	Three months period ended March 31, 2023	Three months period ended December 31, 2022
Research and development expenses	$ 402	$ 457	$ 374	$ 385
General and administrative expenses	762	603	345	455
Operating loss	**1,164**	**1,060**	**719**	**840**
Finance (income) expenses, net	(6)	(20)	(14)	173
Net loss	**1,158**	**1,040**	**705**	**1,013**
Other comprehensive (income) loss	(24)	(7)	18	(28)
Total comprehensive loss	**$ 1,134**	**$ 1,033**	**$ 723**	**$ 985**
Basic and diluted loss per share	$ 0.026	$ 0.024	$ 0.016	$ 0.026
Weighted average number of common shares – basic and diluted	43,533,560	42,855,159	42,855,159	37,733,703

(USD in thousands)	Three months period ended September 30, 2022	Three months period ended June 30, 2022	Three months period ended March 31, 2022	Three months period ended December 31, 2021
Research and development expenses	$ 422	$ 303	$ 281	$ 297
General and administrative expenses	566	1,181	1,947	607
Listing expenses	39	2,039	-	-
Operating loss	**1,027**	**3,523**	**2,228**	**904**
Finance expenses, net	14	276	87	1
Net loss	**1,041**	**3,799**	**2,315**	**905**
Other comprehensive (income) loss	57	45	(5)	4
Total comprehensive loss	**$ 1,098**	**$ 3,844**	**$ 2,310**	**$ 909**
Basic and diluted loss per share	$ 0.030	$ 0.116	$ 0.080	$ 0.055
Weighted average number of common shares – basic and diluted	36,086,385	32,885,406	28,810,102	16,452,064

Research and development expenses

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

These changes were largely attributable to the extended research and development activities that were made possible by additional fundraising prior to the RTO completion in June 2022.

Starting in 2022, the 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 $159 in the third quarter compared to the second 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 c costs.

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

In the second quarter of 2022 and several quarters before that, the general and administrative expenses were significantly higher, largely attributable to the increase in professional services expenses in connection with the RTO, increase in headcount, and increase in finance, legal, and insurance expenses as the Company transitioned to a listed public company.

Listing expenses

Listing expenses amounted to $39 and $2,039 for the three-month 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 September 30, 2023:

(USD in thousands)	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Total current assets	$ 1,279	$ 1,069	$ 1,901	$ 2,692
Total non-current assets	132	142	143	102
Total current liabilities	623	437	569	583
Total non-current liabilities	67	84	81	115
Total equity	$ 721	$ 690	$ 1,394	$ 2,096

(USD in thousands)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Total current assets	$ 3,402	$ 4,408	$ 1,767	$ 2,836
Total non-current assets	114	111	-	-
Total current liabilities	699	660	1,578	1,631
Total non-current liabilities	110	109	63	28
Total equity	$ 2,707	$ 3,750	$ 126	$ 1,177

Total current assets

Total current assets decreased since the RTO, from the third quarter of 2022 to the third quarter of 2023, due to a decrease in 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 second quarter of 2022, offset by a decrease of the right-of-use assets from the third quarter of 2022 to the third quarter of 2023.

Total current liabilities

Total current liabilities decreased over time, from the second quarter of 2022, following the adoption of more timely matter payment cycles to accounts payable.

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

Total equity

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

(USD in thousands)	Nine months period ended September 30, 2023	Nine months period ended September 30, 2022	Change
Net cash used in operating activities	$ (2,308)	$ (3,059)	$ 751
Net cash used in investing activities	(53)	(95)	42
Net cash provided by financing activities	1,042	4,197	(3,155)
Effect of exchange rate changes on cash	(1)	(106)	105
Net (decrease) increase in cash	(1,320)	937	(2,257)
Cash at the beginning of the period	2,463	2,214	249
Cash at the end of the period	$ 1,143	$ 3,151	$ (2,008)

Cash flows from operating activities

The cash used in operating activities for the nine months period ended September 30, 2023, was $2,308, compared to $3,059 for the same period in 2022, representing a decrease of $751, which are attributed to the main following factors:

- The net loss for the nine months period ended September 30, 2023, was $2,902, as compared to the same period in 2022, being $7,155, which represents a decrease of $4,253, driven by the Company's core research and development activities.
- The share-based compensation for the nine months period ended September 30, 2023, was $452 as compared to the same period ended in 2022, being $207, which represents an increase of $245, mainly driven by granted stock options as non-cash imputed costs.
- The revaluation of financial derivatives for the nine months period ended September 30, 2023, was $0, as compared to the same period in 2022, being $285.
- The royalty payments revaluation for the nine months period ended September 30, 2023, was $9, as compared to the same period in 2022, being $56, which represents a decrease of $47.
- The compensation for consultants through share issuance for the nine months period ended September 30, 2023, was $0, as compared to the same period in 2022, being $1,689.
- The reverse take-over transaction cost for the nine months period ended September 30, 2023, was $0, as compared to the same period in 2022, being $1,847.
- The employees and payroll accruals for the nine months period ended September 30, 2023, was ($54), as compared to the same period in 2022, being $109 which represents a decrease of $163.

Cash flows from investing activities

The cash used in investing activities for the nine months period ended September 30, 2023, was $53, as compared to the same period in 2022, being $95 which represents a decrease of $42, which mainly resulted from the decrease of $37 for restricted cash.

Cash flows from financing activities

The cash used in financing activities for the nine months period ended September 30, 2023, was $1,042, as compared to the same period in 2022, being $4,197, which represents a decrease of $3,155 and is largely the result of the following factors:

- There was a decrease in fundraising for the nine-month period ended September 30, 2023, as compared to the same period in 2022, being $2,229 as total proceeds from the issuance related to subscription receipts, private placement and convertible notes.
- The proceeds from the issuance of warrants reserve for the nine months period ended September 30, 2023, was $325, as compared to the same period in 2022, being $306, which represents an increase of $19.
- The reverse takeover transaction cost for the nine months period ended September 30, 2023, was $0, as compared to the same period in 2022, being $1,677.

WORKING CAPITAL DISCUSSION

As of September 30, 2023, the Company's working capital was $656, as compared to $2,109 as of December 31, 2022, which is mainly a result of a decrease in cash and cash equivalents, which as of September 30, 2023, amounted to $1,143 compared to $2,463 as of December 31, 2022, primarily driven by the net loss during the period.

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

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

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

The Company's cash flow forecasts are continually updated to reflect actual cash inflows and outflows so as to monitor the requirements and timing for additional financial resources. Given the volatility of the Canadian and US dollar exchange rates, the Company estimates its US dollar expenses for future periods and sets appropriate levels of US dollar cash and cash equivalent balances. By reporting in US dollars, the Company remains subject to currency fluctuations, which affect its loss and comprehensive loss during any given year.

As of 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 $2.
The vehicle leases are under non-cancellable terms that are maturing and amortized over three years.
The lease obligation until May 2024, and May 2025, amounted to $4, and $3, respectively.

A license agreement with TRDF and Ramot

In June 2020, the Company signed an exclusive worldwide license agreement with TRDF and Ramot, the licensors of the technology, to take responsibility for the development, clinical studies, and commercialization of the technology as a licenser and/or sub-licenser.

The technology comprises provisional patents, owned by TRDF and Ramot for the use of certain intellectual property relating to the Exosomes initiative. The license term is on a product-by-product and a country-by-country basis until the later of 15 years following the first commercial sale of a product in such country and the date of expiry of the last of the licensed patents in such country.

In consideration for the exclusive worldwide license agreement:

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

(2) Share issuance – the Company issued 1,683,000 common shares to Ramot and 3,927,000 warrants to purchase shares to TRDF at an exercise price of CAD$0.005 for common shares, which were fully exercised in February 2021, for a total amount of $16.

(3) Royalty payments – the Company shall pay TRDF the following payments:

1. 4.25% on net sales of products sold by the Company or its affiliates; and
2. 50% of the amounts received by the Company or its affiliates on account of sales of products by sublicensees, but in any case, not less than 2% and not more than 4.25% of the net sales of the sublicensee.

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

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

The fair value of the above-mentioned future payments described in (d) was valued at $64, as of September 30, 2023.

Secured credit lines

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

CONTRACT ENGAGEMENTS

On July 11, 2022, NurExone Ltd entered into 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. Further to the first paid installment, the parties agreed to hold the collaboration work until further notice, without any commitment of NurExone Ltd, to pay the remaining installment to Polyrizon.

Subject to the decision of NurExone Ltd to continue with the collaboration work and the completion of the product's development milestones, NurExone Ltd shall also pay $3,350.

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 sublicense.

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

TRANSACTIONS WITH RELATED PARTIES

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

Key management personnel compensation

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

Expenses	Nine months period ended September 30, 2023	Nine months period ended September 30, 2022
Key management personnel – Salary and related expenses	$ 379	$ 398
Key management personnel – Share-based compensation	291	64
Director's fees – Service provider expenses	21	-
Director's fees – Share-based compensation	39	31
Total	$ 730	$ 493

Balances	September 30, 2023	December 31, 2022
Balances owing to the Chief Executive Officer	$ 67	$ 73
Balances owing to the Chief Financial Officer	67	73
Balances owing to the Vice President of Strategic Development	56	56
Balances owing to directors	7	29
Total	$ 197	$ 231

Related Party - TRDF

The company engages in transactions and maintains financial balances with TRDF, a pivotal vendor and primary shareholder. As of September 30, 2023, TRDF holds 3,927,000 Common Shares, constituting 6% on a fully diluted Common Shares and Warrants basis.

Signed Date	Type of Agreement (*)		Service Period and additional details	Total Consideration
June 23, 2020	License Agreement		September 2020 – October 2021	$40
August 18, 2021	License Agreement	1st Amendment	Fundraising milestones update	-
January 25, 2022	License Agreement	2nd Amendment	Patents extension	-
	License Agreement	Royalty payment	3rd anniversary – June 23, 2023	$20
February 15, 2021	Sponsored Research		Sep 2020 – Dec 2021	$621
October 12, 2021	Sponsored Research	1st Amendment	Period extension: Jan 2022 – Mar 2022	-
April 1, 2022	Sponsored Research	2nd Amendment	April 2022 – September 2023	$411
May 15, 2022	Lab Services		May 2022 – December 2022	$30
February 27, 2023	Lab Services		January 2023 – June 2023	$43
July 3, 2023	Lab Services		July 2023 – September 2023	$20
October 15, 2023	Lab Services		October 2023 – December 2023	$20
	Other Services		January 2023 – March 2023	$1
	Other Services		April 2023 – June 2023	$8
	Other Services		July 2023 – September 2023	$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 to TRDF are as follows:

Assets related to related party transactions

	September 30, 2023	December 31, 2022
Other receivables	$ -	$ 65

Liabilities related to related party transactions

	September 30, 2023	December 31, 2022
Other account payables	$ 70	$ -

Expenses

	Nine months period ended September 30, 2023	Nine months period ended September 30, 2022
Transactions	$ 283	$ 233

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

As of November 22, 2023, the outstanding shares data is as follows:

(1) 48,249,707 Common Shares were issued and outstanding.

(2) 6,179,524 Common Share purchase options, of which 3,054,645 Common Share purchase options are each exercisable for one Common Share at a price of CAD $0.33 per Common Share and 1,080,807 Common Share purchase options are each exercisable for one Common Share at a price of CAD $0.28 per Common Share.

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

(4) 18,076,888 Common Share purchase warrants outstanding, of which 12,682,340 Common Share purchase warrants represent the right to acquire one Common Share at an exercise price of CAD $0.38 per Common Share, 2,697,274 Common Share purchase warrants represent the right to acquire one Common Share at an exercise price of CAD $0.34 per Common Share and 2,697,274 Common Share purchase warrants represents the right to acquire one Common Share at an exercise price of 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.

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

SUBSEQUENT EVENTS

(1) On October 7, 2023, an attack was launched against Israel, which thrust Israel into a state of war. The company is continuing with its operations in Israel, with certain non-significant restrictions. The Company continues to assess the effects of the state of war on its financial statements and business.

(2) On October 15, 2023, NurExone Ltd amended the lab services agreement with TRDF, from October 1, 2023, until December 31, 2023, for a total payment of $20 plus 17% VAT.

(3) On November 20, 2023, the Company entered into a Business Development Consulting Agreement with 2855322 Ontario Inc., for a total rate fee of $45 (CAD$60 plus 5% GST) for a nine-month period.

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.