NurExone Biologic Inc.

(Formerly EnerSpar Corp.)

Management's Discussion and Analysis

For the year ended December 31, 2022

(Expressed in thousands of U.S. dollars)

Dated March 29, 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 twelve months period ended December 31, 2022, and 2021. This analysis should be read in conjunction with the consolidated financial statements of the Company as of and for the twelve months period ended December 31, 2022, and 2021 (the "consolidated financial statements"). For the avoidance of doubt, any reference to the Company in this MD&A reflects NurExone and its consolidated subsidiary NurExone Ltd.*

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

The information in this report is dated March 29, 2023. The consolidated financial statements and MD&A were approved by the Company's board of directors for filing on SEDAR on March 29, 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 its board of directors and management and skilled employees, or otherwise engage consultants and advisors, having knowledge of the industries in which we participate; our ability to engage and retain the employees or consultants required to grow our business; and our ability to execute on our business strategy.

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

COMPANY OVERVIEW

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

The business of the Company underwent a fundamental change on June 15, 2022, with the closing of the reverse takeover transaction ("**RTO**"), as described herein. Prior to the RTO, the assets related to the former business of the Company, the exploration of the Johann Beetz feldspar project in Quebec, were dividend out to the former shareholders by way of a spin-out transaction of 1222150 BC Limited, which continued as an unlisted private company. For accounting purposes, NurExone Ltd is considered the accounting acquirer, and EnerSpar is considered the acquired company. The Company continued the business of NurExone Ltd following the RTO, since EnerSpar's operations did not constitute a business, the acquisition of EnerSpar is not a business combination pursuant to IFRS 3 and the transaction is accounted for as a reverse takeover of the publicly traded company.

NurExone Ltd 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 (**"BBB"**) 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 (**"TBI"**), and potentially other brain and neurological indications. The Company is engaged in research and development regarding the licensed technology with the intention to reach a stage of Pre-Investigational New Drug Application (**"Pre-IND"**) by Q2-2023. Subsequently, the Company will work with different regulatory agencies, including in the United States (FDA), for Phase I/IIA development, pending the results of the Pre-IND.

The Company's new approach to SCI treatment is based on siRNA-PTEN-loaded exosome platform technology. ExoPTEN holds a broad potential for a variety of Central Nervous System (**"CNS"**) indications and may offer a revolutionary non-invasive off-the-shelf product. Neuronal damage in general and SCI in particular involves a long and complex cascade of secondary events following the injury itself. The complexity of the cascade can affect the efficiency of the suggested treatments and there remains an unmet need for the development of additional safe, efficient, and convenient methods for treating SCI.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

Significant developments for the twelve months period ended December 31, 2022

(1) On June 22, 2022, the Company retained Questrade Inc., an unrelated entity to the Company, to provide market-making services for a fee of CAD $5.5 per month. The engagement is for an initial term of one year and is automatically renewable for successive one-year terms.

(2) On July 5, 2022, the Company signed a services agreement with Thesis Capital Inc. (**"Thesis"**). Thesis provides investor relations and advisory services to the Company. Pursuant to the agreement, Thesis will be paid a monthly retainer of CAD $5.5 for a period of 12 months.

(3) On July 11, 2022, NurExone Ltd signed a collaboration agreement with Polyrizon Ltd. (**"Polyrizon"**) for intranasal administration of exosome therapy. NurExone Ltd shall pay EUR €215 in 3 equal installments, subject to certain milestones. The Company paid the 1st installment. In addition, the Company shall pay $3,350, subjected to the completion of the Company product's development milestones. NurExone expects to be able to perform a biological efficacy study of the intranasal system by Q2-23. Moreover, NurExone shall pay royalties to Polyrizon from revenue as follows: (i) for an income of $50-$2,500, the Company shall make a royalty payment of 2.25% from net income; (ii) for an income of $2,500-$10,000, the Company shall make a royalty payment of 2.75% from net income; (iii) for an income of $10,000 and above, the Company shall make a royalty payment of 3.25% from net income; and (iv) for an income through a sublicense, the Company shall make a royalty payment equal to 35% from net income relating to such sublicense. As disclosed in the agreement, the execution of each of the development steps of the project is subjected to the Company's approval including the tasks and timelines, based on a signed work order.

(4) On July 18, 2022, NurExone Ltd signed a material transfer agreement with Yissum Research Development Company of the Hebrew University of Jerusalem Ltd ("**Yissum**"). The company will make biological, chemical, and other tangible materials, at no charge, available for the use of Yissum for research purposes. NurExone Ltd has the option to receive an exclusive license to the jointly owned results and related intellectual property that may arise from the research, in the field of neurodegenerative diseases and central nervous system indications upon commercialization, subject to terms and conditions.

(5) On September 1, 2022, the Company signed a letter of intent for international strategic collaboration with denovoMATRIX GMBH towards large-scale exosome production. The primary aim of the collaboration is to develop a mutually beneficial supply agreement, whereby denovoMATRIX will develop and provide technologies enabling large-scale exosome production.

(6) On September 18, 2022, NurExone Ltd signed a letter of intent for research collaboration with Nanometrix Ltd. ("**Nanometrix**"). Nanometrix will process and analyze the exosome and cargo samples provided by the Company using its technology and produce a molecular profile of the exosomes received.

Going Concern

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

As of December 31, 2022, the Company had cash of $2,463 (December 31, 2021 - $2,214) and as of that date, the Company's current liabilities exceeded its total assets by $2,096 (December 31, 2021 - $1,177). The Company had a deficit of $10,418 as of December 31, 2022, (December 31, 2021 - $2,249).

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 audited consolidated financial statements.

MATERIAL TRANSACTIONS

Reverse takeover of EnerSpar Corp.

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

On June 20, 2022, the RTO was effected pursuant to the terms of a securities exchange agreement dated January 3, 2022, as amended on April 12, 2022. Pursuant to the securities exchange agreement, the Company acquired each ordinary share of NurExone Ltd in exchange for 17 post-consolidation Common Shares.

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

As a condition of closing the RTO, the Company completed a plan of arrangement on May 31, 2022, pursuant to which the Company spun out its wholly-owned subsidiary, 1222150 B.C. Ltd. by way of distributing all shares of the subsidiary held by the Company pro-rata on a one for one share basis to the shareholders of the Company.

All of the former mining assets of the Company were transferred with the subsidiary, thereby divesting the Company of such assets prior to the completion of the RTO. Further details about the arrangement are described in more detail in the press release of the Company dated March 15, 2022, May 12, 2022, and May 31, 2022, and are available on

SEDAR at www.sedar.com. Such additional detail is not incorporated by reference herein and should not be deemed to be made part of this MD&A.

Pursuant to the RTO, the Company completed its previously announced non-brokered private placement (**"Private Placements"**), as follows:

(1) 35,296,149 Common Shares were issued to the shareholders of NurExone Ltd in exchange for all of the issued and outstanding ordinary shares of NurExone Ltd (including 2,465,221 Common Shares issued to NurExone Ltd. shareholders who participated in a private placement of NurExone Ltd. prior to the completion of the RTO and 2,684,249 Common Shares issued to NurExone Ltd. shareholders who converted certain convertible notes of NurExone Ltd prior to the completion of the RTO);

(2) 4,551,814 Common Shares were issued to holders of subscription receipts of the Company pursuant to a concurrent private placement of EnerSpar, which closed on May 5, 2022, the subscription receipts being sold at a price of CAD $0.80 per subscription receipt; and

(3) 2,536,000 Common Shares were held by existing shareholders of the Company (equal to 25,360,000 pre-consolidation Common Shares prior to the 10:1 consolidation of the issued and outstanding Common Shares in connection with the RTO).

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

Private Placements

The Company completed its previously announced Private Placements, as follows:

(i) NurExone Ltd Convertible Notes
On April 30, 2022 (**"effective date"**), the Company completed the conversion of a convertible note into issued 2,684,249 Common Shares at a share price of CAD $0.59 and issued 1,374,573 Common Share purchase warrants at an exercise price of CAD $1.20 per warrant for gross proceeds of $1,249 (2022 - $130, 2021 - $1,119). The warrants are exercisable for a period of 24 months following the effective date of the agreement. In the event that the share price of the Common Shares of the Company exceeds CAD $2.00 on a volume-weighted price over 20 consecutive days, the holder shall have 30 days to exercise the warrants.

(ii) NurExone Ltd Private Placement
From January until April 2022, the Company completed a private placement into the issuance of 2,465,221 Common Shares at a share price of CAD $0.44 and 2,465,221 Common Share purchase warrants at an exercise price of CAD $1.20 per warrant) for gross proceeds of $870. The warrants are exercisable for a period of 24 months following the effective date of the agreement. In the event that the share price of the Common Shares of the Company exceeds CAD $2.00 on a volume-weighted price over 20 consecutive days, the holder shall have 30 days to exercise the warrants.

(iii) EnerSpar Subscription Receipts
Resulting of the RTO completion, the Company converted 4,551,814 subscription receipts at a price of CAD $0.80 per subscription receipt for gross proceeds of CAD $3,642 (2022 – CAD $1,523, 2021 – CAD $2,119). Each subscription receipt was converted into one Common Share and one Common Share purchase warrant of the Company. The warrants are exercisable for a period of 24 months following the date of issuance. In the event that the share price of the Common Shares of the Company exceeds CAD $2.00 on a volume-weighted price over 20 consecutive days, the holder shall have 30 days to exercise the warrants.

SELECTED ANNUAL INFORMATION

Summary of the financial data was prepared in accordance with IFRS and is presented for the years ended December 31, 2022, December 31, 2021, and December 31, 2020:

	Twelve months period ended December 31,			Three months period ended December 31,		
(USD in thousands)	**2022**	**2021**	**2020** (*)	**2022**	**2021**	**2020** (*)
Research and development expenses	$ 1,391	$ 573	$ 235	$ 385	$ 297	$ 235
General and administrative expenses	4,150	1,140	31	456	607	31
Listing expenses	2,078	-	-	-	-	-
Operating loss	**7,619**	**1,713**	**266**	**841**	**904**	**266**
Finance (income) expenses, net	550	(66)	5	173	1	5
Net loss	**8,169**	**1,647**	**271**	**1,014**	**905**	**271**
Other comprehensive (income) loss:						
Items that may be reclassified to profit or loss (**)	91	-	-	(38)	-	-
Items that will not be reclassified to profit or loss (**)	(23)	(5)	10	10	4	10
Total comprehensive loss	**$ 8,237**	**$ 1,642**	**$ 281**	**$ 986**	**$ 909**	**$ 281**
Basic and diluted loss per share	$ 0.216	$ 0.100	$ 0.045	$ 0.027	$ 0.055	$ 0.045
Weighted average number of common shares – basic and diluted (***)	37,733,703	16,452,064	5,951,360	37,733,703	16,452,064	5,951,360

(*) For the five months period ended December 31, 2020, as the company was incorporated in June 2020.
(**) Share of other comprehensive loss of consolidated subsidiaries and associates accounted for using the equity method.
(***) The share split has been retroactively presented in all periods.

Research and development expenses

For the three and twelve months period ended December 31, 2022, December 31, 2021, and December 31, 2020, research and development expenses amounted to $385 and $1,391, $297 and $573, and $235 and $235, respectively. The increase was largely attributable to the extensive research and development efforts required to continue the development of the siRNA-PTEN technology and other siRNA targets.

The changes for the year ended December 31, 2022, compared to the same period of fiscal 2021, were mainly a result of the increase of $78 in research and development services by TRDF, an increase of $341 in salaries driven by employees recruitment in the year-end of 2021 and $179 in CEO's salary expenses allocation from G&A to R&D, an increase of $73 in share-based compensation expenses, an increase of $50 of patent expenses and an increase of $97 in materials and other expenses, all attributable to the increased level of research activities as the Company matures as an R&D driven company.

The changes for the year ended December 31, 2021, compared to the same period of fiscal 2020, were mainly a result of the increase of $235 in research and development services by TRDF, an increase of $78 in salaries and related expenses, an increase of $22 in share-based compensation and increase of $3 in other expenses.

General and administrative expenses

For the three and twelve months period ended December 31, 2022, December 31, 2021, and December 31, 2020, general and administrative expenses amounted to $456 and $4,150, $607 and $1,140, and $31 and $31, respectively. The increase was largely attributable to costs relating to the RTO.

The changes for the year ended December 31, 2022, compared to the same period of fiscal 2021, were mainly a result of the increase of $2,341 in service providers, primarily attributable to transitioning to becoming a listed public company, that were mainly paid in services shares amounted at $1,795, an increase of $650 in salaries driven by employee recruitment in the year-end of 2021 and $179 in CEO's salary expenses allocation from G&A to R&D, a decrease of $14 in share-based compensation expenses, an increase of $14 in amortization of right-of-use assets expenses, an increase of $53 in insurance expenses, an increase of $90 in legal expenses and $55 in other expenses.

The changes for the year ended December 31, 2021, compared to the same period of fiscal 2020, were mainly a result of an increase of $680 in service providers, an increase of $197 in salaries and related expenses, an increase of $152 in share-based compensation, an increase of $53 in legal costs and increase of $27 in other expenses.

Listing expenses

For the three and twelve months period ended December 31, 2022, listing expenses amounted to $0 and $2,078 respectively. Listing expenses were related to the completion of the RTO of the Company on June 15, 2022.

For accounting purposes, the Company is considered the accounting acquirer, and EnerSpar is considered the acquired company. Since EnerSpar's operations did not constitute a business, the acquisition of EnerSpar is not a business combination pursuant to IFRS 3 and the transaction is accounted for as a reverse takeover of the publicly traded company. The RTO will be accounted for under IFRS 2 Share-based Payments. Accordingly, the acquisition of EnerSpar is accounted for at the fair value of the consideration transferred by the accounting acquirer, which is the fair value of the equity instruments 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 net assets and the listing status of the non-operating public company, EnerSpar.

Current shareholders of the Company acquired 2,536,000 post-consolidation Common Shares of EnerSpar at a deemed value of CAD$0.80 per share, representing 6% of the Common Shares of EnerSpar (undiluted) as constituted upon completion of the Transaction and the private placement. The Transaction was accounted for as a reverse takeover.

Listing expenses are as follows:

(USD in thousands)		**Twelve months period ended December 31, 2022**
Fair value of consideration of 2,536,000 EnerSpar Shares at CAD $0.80	$	1,605
Net liabilities of EnerSpar [(1)]		242
Reverse takeover transaction cost		**1,847**
Indirect issuance costs [(2)]		231
Listing expenses	**$**	**2,078**

(1) Net liabilities of EnerSpar amounted to $242, as of the RTO completion on June 15, 2022, which are mainly included $136 for accounts payables, $123 for debt to director, and ($17) for HST/GST receivables.
(2) Indirect issuance costs are mainly related to legal expenses.

Operating loss

For the three and twelve months period ended December 31, 2022, December 31, 2021, and December 31, 2020, operating loss amounted to $841 and $7,619, $904 and $1,713, and $266 and $266, respectively.

The changes for the year ended December 31, 2022, compared to the same period of fiscal 2021, were mainly a result of the increase of $818 in research and development expenses, attributable to the increased level of research activities as the Company matures as an R&D driven company, and an increase of $3,010 in general and administration expenses, and $2,078 in listing expenses relating to the Company listing on the TSXV.

The changes for the year ended December 31, 2021, compared to the same period of fiscal 2020, were mainly a result of the increase of $338 in research and development expenses, an increase of $1,109 in general and administration expenses relating to the Company readiness for listing in the TSXV.

Financial (income) expenses

For the three and twelve months period ended December 31, 2022, December 31, 2021, and December 31, 2020, financial expenses amounted to $173 and $550, $1 and $(66), and $5 and $5, respectively.

The changes for the year ended December 31, 2022, compared to the same period of fiscal 2021, were largely attributable to the revaluation and a change in accounting policy for a warrant derivative of $280, an increase of $21 in convertible notes interest, an increase of $158 in a revaluation of a warrants liability, an increase of $66 in a revaluation of a royalty liability, an increase of $15 in the income of deposit interest, and an increase of $47 in exchange rate adjustments, an increase of $59 in full ratchet cancellation.

The changes for the year ended December 31, 2021, compared to the same period of fiscal 2020, were mainly a result of the income of $60 from the revaluation of financial derivatives, an income of $23 from exchange rate differences, offset by an increase of $12 in convertible notes interest costs.

Research & Development Milestones and Progress Update

Coincident with completion of the RTO, the Company identified five scientific and development milestones (the "**R&D Milestones**"), which it committed to pursuing over the thirty-month period following the RTO. The Company believes it has made progress towards the achievement of the R&D Milestones as of the end of 2022.

The R&D Milestones are as follows:

(1) Filing of patents to protect intellectual property;

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

(3) Have an informal non-binding consultation (INTERACT) meeting with the Center for Biologics Evaluation and Research (CBER) at FDA. In the meeting the FDA can initially review the scope of the product and guide the Company if it can proceed and apply to the pre-IND meeting:

(4) Operating full-scale lab facility;

(5) Conduct external in-vivo experiments; and

(6) Conduct pre-IND meeting.

As an update on our R&D Milestones, 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 tensin homolog (PTEN) inhibitor as well as a method for treating neuronal injury or damage, including intranasal administration.

The Company intends to file additional patent applications with the USPTO as well as additional international patent applications (PCT) in order to further strengthen NurExone's intellectual property portfolio. The Patent was submitted by the Technion-Israel Institute of Technology and Ramot, a Tel Aviv University's technology transfer company and is part of NurExone's licensed intellectual property portfolio.

The Company is also proceeding towards submitting a formal request for a Pre-IND meeting with the FDA in connection with ExoPTEN, Company's first ExoTherapy product that is currently in development. Pre-IND meetings offer applicants valuable information about preparing complete IND applications and planning clinical studies for their products, which reduces the risk of a clinical hold.

The Company plans to formally submit the pre-IND request in the second quarter of 2023 and Orphan Drug Designation (**"ODD"**) request by first quarter of 2023.

The Company has continued to advance various verticals of our technology portfolio and platform, which is based on 6 different patent families. The Company conducted scientific research and experiments on the effectiveness of our proprietary small interfering RNA (siRNA) in healing traumatic SCIs, and patent-pending processes for generating extensive exosome production and exosome loading technology, all of which have shown positive results.

The Company's platform for exosome-based therapy production is planned to include: (i) large-scale exosome production, (ii) therapeutic cargo and (iii) unique technology to load the therapeutic cargo into exosomes to achieve therapeutic exosomes. The therapeutic exosomes are biologically guided to a target damaged anatomical location to "dock" and unload their therapeutic cargo in the neuronal cells for healing.

The Company is still in the research, development, and growth stage, has not commercialized any products or become cash flow positive and will continue to be reliant on the ability to finance its activities until profitability is achieved. 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's 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 financings, provided however, that there is no assurance that such future financings will be available on terms favourable to the Company, or at all. If the Company is not able to raise capital, the Company will have to reduce its cash requirements by eliminating or deferring spending on research, development and corporate activities.

Government Regulation in the United States

Pre-Clinical Phase

The Company's product will be subjected to several preclinical studies to establish and characterize its efficacy and safety profile. New drugs must be shown to be safe and effective in human subjects before regulator (i.e: FDA) approval. The need will be to first convince the FDA that the treatment is reasonably safe to use in humans to evaluate safety and efficacy in clinical studies. This is established through preclinical laboratory testing, including testing in animals. These preclinical studies help establish boundaries for the safe use of the treatment when human testing or "clinical trials" begin. An Initial New Drug (IND) application will be submitted to the FDA requesting permission to initiate clinical trials.

The results from preclinical studies are documented in scientific publications or technical reports and used to prepare as part of premarket submission for the initiation of human clinical trials. The preclinical studies on a potential drug

substance are required to follow Good Laboratory Practices (GLPs) regulations. GLPs govern laboratory facilities, personnel, equipment, and operations.

Compliance with GLPs requires procedures and documentation of training, study schedules, processes, and status reports, which are submitted to facility management and included in the final study report to the FDA.

The data from preclinical studies will be gathered to reach the goal of potential therapeutic effect and reasonable safety index and the drug sponsor must notify the FDA of its intent to test the potential new drug in humans, known as an IND application. The IND allows the use of an investigational drug in human subjects for the sole purpose of conducting clinical trials.

Clinical Trials

Clinical trials for new drugs typically consist of three phases:

A. Phase I

Involves a relatively small number of subjects (with SCI as an indication, probably between 8-25) intended to gather initial safety information. Its purpose is to determine a safe dose range in which the drug can be administered, metabolized, and pharmacologically effective with minimum toxicity.

The safety and pharmacokinetics of the doses in these studies usually include testing to help establish the relationship between drug dose and plasma concentration levels, as well as therapeutic or toxic effects. The results of the Phase I studies are used to develop Phase II.

B. Phase II

Involves many subjects who have the targeted condition (usually 25-60). In Phase II the purpose is to determine a minimum and maximum effective dose (dose-ranging study and pharmacokinetic data). Clear evidence is established to confirm that the mechanism of action observed in animals is observed in humans.

Phase II may be divided into two subparts: Phase IIa is a pilot study, which is used to determine initial efficacy, and Phase IIb uses controlled studies on larger numbers of patients. Sufficient data regarding tolerability and efficacy of several different dose regimens should be available to support the dose regimen to be evaluated in Phase III trials. At this point, the sponsor and the FDA usually confer to discuss the data and plans for Phase III.

C. Phase III

Studies are considered "pivotal", designed to collect all of the essential data to fulfill the safety and efficacy criteria that the FDA requires to approve the application for the US marketplace. Phase III studies are usually larger than Phase II and are double-blind, randomized, controlled studies that are often conducted at multiple sites. In this phase, detailed data are gathered about the effectiveness of new drug compound in comparison to control treatments.

Subjects are followed to evaluate side effects and safety. Additionally, Phase III studies establish effectiveness of the final formulation, indications for clinical use, labeling, marketing claims, drug product stability, packaging, and storage conditions.

In some indications, the FDA may grant accelerated process definition which allows a much faster track to the clinic. In addition, the SCI indication may also be considered an ODD (with less than 200,000 new cases a year), allowing better commercial protection and a fast track to reach the market.

Source:https://www.bio.org/sites/default/files/legacy/bioorg/docs/Clinical%20Development%20Success%20Rates%202006-2015%20-%20BIO,%20Biomedtracker,%20Amplion%202016.pdf

The following table summarizes the Company's statements of financial position as of December 31, 2022, December 31, 2021, and December 31, 2020:

(USD in thousands)	December 31, 2022	December 31, 2021	December 31, 2020
Total current assets	$ 2,692	$ 2,836	$ 378
Total non-current assets	102	-	-
Total current liabilities	583	1,631	289
Total non-current liabilities	115	28	28
Total equity	$ 2,096	$ 1,177	$ 61

Total current assets

Total current assets as of December 31, 2022, December 31, 2021, and December 31, 2020, amounted to $2,692, $2,836, and $378, respectively.

These changes for the year ended December 31, 2022, compared to the same period of fiscal 2021, are a result of a fundraising increase in cash and cash equivalents by $249, an increase in restricted deposit by $35, a decrease due from shareholders with respect to Common Share issuances by $451, and an increase in accounts receivable by $23.

These changes for the year ended December 31, 2021, compared to the same period of fiscal 2020, are a result of a fundraising increase in cash and cash equivalents by $2,212, an increase in restricted deposit by $19, an increase due from shareholders with respect to Common Share issuances by $87, and an increase in accounts receivable by $140.

Total non-current assets

Total non-current assets as of December 31, 2022, December 31, 2021, and December 31, 2020, amounted to $102, $0, and $0, respectively.

These changes for the year ended December 31, 2022, compared to the same period of fiscal 2021, are a result of laboratory purchasing equipment, net of $51, and an implementation of IFRS16 of $51 for leasing cars.

The Company first implemented IFRS16 and purchased laboratory equipment in 2022.

Total current liabilities

Total current liabilities as of December 31, 2022, December 31, 2021, and December 31, 2020, amounted to $583, $1,631, and $289, respectively.

These changes for the year ended December 31, 2022, compared to the same period of fiscal 2021, are a result of a decrease in other accounts payable by $27, an increase in amounts owed to a director by $22, and, an increase in employee and payroll accrual by $218, a decrease in convertible notes by $1,043 (as a result of their being converted to Common Shares), an increase in current maturities of lease liabilities by $24, and a decrease in derivatives (warrant liability) by $242.

These changes for the year ended December 31, 2021, compared to the same period of fiscal 2020, are a result of an increase in other accounts payable by $33, an increase in employee and payroll accrual by $87, an increase in convertible notes by $1,043, and an increase in derivatives (warrant liability) by $180.

Total non-current liabilities

Total non-current liabilities as of December 31, 2022, December 31, 2021, and December 31, 2020, amounted to $115, $28, and $28, respectively. These changes for the year ended December 31, 2022, compared to the same period of fiscal 2021, are a result of an increase in royalty payments to TRDF by $67, and an increase in lease liabilities by $20. The non-current liabilities as of December 31, 2021, compared to the same period of fiscal 2020, amounted to $28 for royalty payments to TRDF.

Total equity

Total shareholder equity as of December 31, 2022, December 31, 2021, and December 31, 2020, amounted to $2,096, $1,177, and $61, respectively.

These changes for the year ended December 31, 2022, compared to the same period of fiscal 2021, are a result of an increase of additional paid-in capital in the amount of $7,994 an increase of warrants reserve by $930, an increase of foreign currency translation reserve expenses by $68 an increase in share-based payment reserve by $233, and an increase in accumulated deficit by $8,169.

These changes for the year ended December 31, 2021, compared to the same period of fiscal 2020, are a result of an increase of additional paid-in capital in the amount of $2,584, a decrease of foreign currency translation reserve expenses by $5, an increase in share-based payment reserve by $174, and an increase in accumulated deficit by $1,647.

SUMMARY OF QUARTERLY RESULTS

Summary of quarterly results that were prepared in accordance with IFRS and are presented for the year ended December 31, 2022:

(USD in thousands)	Three months period ended December 31, 2022	Three months period ended September 30, 2022	Three months period ended June 30, 2022	Three months period ended March 31, 2022
Research and development expenses	$ 385	$ 422	$ 303	$ 281
General and administrative expenses	456	566	1,181	1,948
Listing expenses	-	39	2,039	-
Operating loss	**841**	**1,027**	**3,523**	**2,229**
Finance expenses, net	173	14	276	87
Net loss	**1,014**	**1,041**	**3,799**	**2,316**
Other comprehensive (income) loss	(28)	57	45	(6)
Total comprehensive loss	**$ 986**	**$ 1,098**	**$ 3,844**	**$ 2,310**
Basic and diluted loss per share	$ 0.027	$ 0.030	$ 0.116	$ 0.080
Weighted average number of common shares – basic and diluted (*)	37,733,703	36,086,385	32,885,406	28,810,102

(*) The share split has been retroactively presented in all periods.

Research and development expenses

Research and development expenses mainly include payments for the outsourced sponsored research services by TRDF to the Company's ExoPTEN product development, amounted to $385, $422, $303, and $281 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

General and administrative expenses

General and administrative expenses significantly decreased quarter-over-quarter in 2022. This is primarily due to the related professional services to the RTO. General and administrative expenses amounted to $456, $566, $1,181, and $1,948 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Listing expenses

Listing expenses amounted to $39 and $2,039 for the three months period ended September 30, and June 30, 2022, respectively. Listing expenses are driven by RTO cost which was the fair value of the transaction, and indirect issuance costs.

Operating loss

Operating loss significantly decrease quarter-over-quarter in 2022. The decrease was largely attributable to the incurred listing expenses and the Company's costs to complete the RTO, mainly in the first half of 2022. The operating loss amounted to $841, $1,027, $3,523, and $2,228 for the three months period ended December 31, September 30, June 30, and March 31, 2021, respectively.

Financial expenses

Finance expenses amounted to $173, $14, $276, and $87 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively. The finance expenses were significantly higher in the 2nd quarter of 2022. This increase was largely attributable to the revaluation and a change in accounting policy for warrant derivative, a non-cash expense required by IFRS.

Summary of quarterly results that were prepared in accordance with IFRS and are presented for the year ended December 31, 2021:

(USD in thousands)	**Three months period ended December 31, 2021**	**Three months period ended September 30, 2021**	**Three months period ended June 30, 2021**	**Three months period ended March 31, 2021**
Research and development expenses	$ 297	$ 39	$ 155	$ 82
General and administrative expenses	607	233	286	14
Operating loss	**904**	**272**	**441**	**96**
Finance (income) expenses, net	1	(8)	(59)	-
Net loss	**905**	**264**	**382**	**96**
Other comprehensive (income) loss	4	(2)	2	(9)
Total comprehensive loss	**$ 909**	**$ 262**	**$ 384**	**$ 87**
Basic and diluted loss per share	$ 0.055	$ 0.017	$ 0.026	$ 0.007
Weighted average number of common shares – basic and diluted (*)	16,452,064	15,437,498	14,606,621	14,438,321

(*) The share split has been retroactively presented in all periods.

Research and development expenses

Research and development expenses mainly include payments for the outsourced sponsored research services by TRDF for the Company's ExoPTEN product development and amounted to $297, $39, $155, and $82 for the three months period ended December 31, September 30, June 30, and March 31, 2021, respectively.

General and administrative expenses

General and administrative expenses significantly increased quarter-over-quarter in 2021. This is primarily due to Company's costs to complete the RTO, headcount recruitment, and increase in professional services expenses. Total general and administrative expenses amounted to $607, $233, $286, and $14 for the three months period ended December 31, September 30, June 30, and March 31, 2021, respectively.

Operating loss

Operating loss significantly increased quarter-over-quarter in 2021. The increase was largely attributable to the increase in research and development expenses, general and administrative expenses, and the Company's costs to complete the RTO. The operating loss amounted to $904, $272, $441, and $96 for the three months period ended December 31, September 30, June 30, and March 31, 2021, respectively.

Financial (income) expenses

Finance (income) expenses amounted to $1, ($8), ($59), and $0 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Financial (income) expenses were significantly higher in the 2nd quarter of 2021, due to the revaluation of full rachet protection related to the private placement.

Summary of the financials position that were prepared in accordance with IFRS and are presented as of March 31, June 30, September 30, and December 31, 2022:

(USD in thousands)	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Total current assets	$ 2,692	$ 3,402	$ 4,408	$ 1,767
Total non-current assets	102	114	111	-
Total current liabilities	583	699	660	1,578
Total non-current liabilities	115	110	109	63
Total equity	$ 2,096	$ 2,707	$ 3,750	$ 126

Total current assets

Total current assets increased mainly due to an increase in cash and cash equivalents in connection with the RTO, issuance of convertible notes by NurExone Ltd, the private placement by NurExone Ltd, and the completion of EnerSpar Subscription Receipts.

Total current assets amounted to $2,692, $3,402, $4,408, and $1,767 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Total non-current assets

Total non-current assets changed as a result of purchasing lab equipment and implementation of right-of-use assets in the 2nd quarter of 2022, which amounted to $102, $114, $111, and $0 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Total current liabilities

Total current liabilities changed as a result of the conversion of the convertible notes to equity and reclassification of warrant derivatives as warrant equity in the 2nd quarter of 2022.

The current liabilities amounted to $583, $699, $660, and $1,578 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Total non-current liabilities

Total non-current liabilities changed as a result of an increase in royalty payments to TRDF and an increase in lease liability.

Total non-current liabilities amounted to $115, $110, $109, and $63 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Total equity

Total shareholder equity changed as a result of an increase in additional paid-in capital driven by fundraising completion and reclassification of warrant equity as warrant reserve in the 2nd quarter of 2022.

In addition, the Company had an increase of share-based payment reserve and an increase of accumulated deficit. Total equity amounted to $2,096, $2,707, $3,750, and $126 for the three months period ended December 31, September 30, June 30, and March 31, 2022, respectively.

Summary of the financials position that were prepared in accordance with IFRS and are presented as of March 31, June 30, September 30, and December 31, 2021:

(USD in thousands)	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Total current assets	$ 2,836	$ 599	$ 512	$ 169
Total current liabilities	1,631	353	413	167
Total non-current liabilities	28	28	28	27
Total equity	$ 1,177	$ 218	$ 72	$ (26)

Total current assets

Total current assets changed as a result of an increase in cash and cash equivalents in connection with the RTO, completion of the issuance of convertible notes, and a private placement by NurExone Ltd in the 4th quarter of 2021 prior to the completion of the RTO.

Total current assets amounted to $2,836, $599, $512, and $169 for the three months period ended December 31, September 30, June 30, and March 31, 2021, respectively.

Total current liabilities

Total current liabilities changed as a result of the increase in convertible notes and derivative liabilities in the 4th quarter of 2021. Total current liabilities amounted to $1,631, $353, $413, and $167 for the three months period ended December 31, September 30, June 30, and March 31, 2021, respectively.

Total non-current liabilities

Total non-current liabilities are a result of royalty payments to TRDF. Total non-current liabilities amounted to $28, $28, $28, and $27 for the three months period ended December 31, September 30, June 30, and March 31, 2021, respectively.

Total equity

Total shareholder equity changed as a result of an increase in additional paid-in capital driven by fundraising completed in the 4th quarter of 2021. In addition, the Company had an increase in share-based payment reserve and an increase in accumulated deficit.

Total equity amounted to $1,177, $218, $72, and ($26) for the three months period ended December 31, September 30, June 30, and March 31, 2021, respectively.

EQUITY AND DEBT

Equity

A summary of the change in the issued and outstanding Common Shares for the three years period ended December 31, 2022, is as follows:

		Issued Shares (*)
Outstanding shares as of December 31, 2020		**16,974,321**
Issued shares of NurExone Ltd Private Placement in June 2021	(1)	1,408,076
Issued Consultant Services Shares in August 2021	(2)	1,020,000
Issued shares of NurExone Ltd Private Placement from August to December 2021	(3)	5,424,122
Outstanding shares as of December 31, 2021		**24,826,519**
Exercised warrants in February 2022	(4)	3,927,000
Issued Consultants Services Shares from January to March 2022	(5)	2,779,160
Issued shares of NurExone Ltd Convertible Notes in April 2022	(6)	2,684,249
Issued shares of NurExone Ltd Private Placement in April 2022	(7)	2,465,221
Issued Advisory Services Shares on May 13, 2022	(8)	1,150,000
Issued shares of EnerSpar Subscription Receipts in June 2022	(9)	4,551,814
Issued shares debt settlement with EnerSpar's creditors in November 2022	(10)	348,766
Issued shares debt settlement with EnerSpar's creditors in December 2022	(11)	122,430
Outstanding shares as of December 31, 2022		**42,855,159**

(*) The share split has been retroactively presented in all periods.

(1) In June 2021, with respect to completion of a private placement, NurExone Ltd issued a total of 1,408,076 Common Shares at a share price of CAD $0.44.

(2) In August 2022, NurExone Ltd issued 1,020,000 Common Shares to Consultant at a share price of CAD $0.44 for total consideration of $360 in connection with consulting services.

(3) From August to December 2021, with respect to completion of a private placement, NurExone Ltd issued a total of 5,424,122 Common Shares at a share price of CAD $0.44.

(4) On February 7, 2022, TRDF exercised 3,927,000 warrants to Common Shares at a share price of CAD $0.005.

(5) The Company issued 2,779,160 Common Shares to several consultants at a share price of CAD $0.44 for total consideration of CAD $1,223 in connection with consulting services.

(6) As of April 30, 2022 (the "conversion date of the convertible notes"), all of the convertible notes of NurExone Ltd were converted into shares and warrants of NurExone Ltd, prior to the completion of the RTO, such shares and warrants issuance were equal to 2,684,249 Common Shares of the Company at a share price of CAD $0.59 per Common Share and 1,374,573 Common Share purchase warrants having an exercise price of CAD $1.20 per Common Share. The total 1,374,573 Common Share purchase warrants includes 1,091,974 Common Share purchase warrants relates to the raised proceeds from convertible notes in 2021, and additional 282,599 Common Share purchase warrants were converted, as follows: 254,193 Common Share purchase warrants relates to raised proceeds from convertible notes in 2022, and 28,406 Common Share purchase warrants relates to the additional period bear interest of the raised proceeds from convertible notes in 2021, and until the conversion date of the convertible notes.

(7) Prior to the completion of the RTO, NurExone Ltd completed a private placement financing of shares and warrants of NurExone Ltd (assuming the completion of the RTO, such share and warrant issuance was equal to 2,465,221 Common Shares of the Company at a share price of CAD $0.44 per Common Share and 2,465,221 Common Share purchase warrants having an exercise price of CAD $1.20 per Common Share).

(8) Issuance of 1,150,000 Common Shares (Exiteam Capital Partners Ltd.) at a share price of CAD $0.80 for total consideration of CAD $920 in connection with certain advisory services related to the RTO.

(9) In connection with the RTO, EnerSpar completed a subscription receipt financing, resulting in the issuance of a total of 4,551,814 Common Shares at a share price of CAD $0.80 per Common Share and 4,551,814 Common Share purchase warrants with an exercise price of CAD $1.20 per Common Share.

(10) The Company issued 170,195 Common Shares at a deemed price of CAD $0.80 per share to settle indebtedness of CAD $136 owed to certain senior officers, directors, creditors, and consultants of EnerSpar. The Company completed additional securities for debt settlement to settle debts in the amount of CAD $75 through the issuance of 178,571 Common Shares of the Company at a deemed price of CAD $0.42 per Common Share. These debts were incurred in connection with the RTO.

(11) The Company issued 122,430 Common Shares at a deemed price of CAD $0.38 per share to settle indebtedness of CAD $47 owed to a creditor of EnerSpar.

Warrants

A summary of the change in the share purchase warrants outstanding for the two years period ended December 31, 2022, is as follows:

		Outstanding (*)	Weighted-average exercise price (CAD$)
Outstanding warrants as of December 31, 2020		**3,927,000**	**0.005**
Issued warrants of NurExone Ltd Private Placement	(1)	1,408,076	1.20
Issued warrants of NurExone Ltd Private Placement	(2)	5,424,122	1.20
Issued warrants of NurExone Ltd Convertible Notes	(3)	1,091,974	1.20
Outstanding warrants as of December 31, 2021		**11,851,172**	**0.80**
Issued warrants of NurExone Ltd Convertible Notes	(3)	282,599	1.20
Exercised NurExone Ltd warrants to shares offering	(4)	(3,927,000)	0.005
Issued warrants of EnerSpar Subscription Receipts	(5)	4,551,814	1.20
Issued warrants of NurExone Ltd Private Placement	(6)	2,465,221	1.20
Outstanding warrants as of December 31, 2022		**15,223,806**	**1.20**

(*) After giving effect to the share split.

(1) Issued 1,408,076 Common Share purchase warrants at an exercise price of CAD $1.20 per warrant, with respect to the completion of a NurExone Ltd Private Placement in June 2021, for a total of 1,408,076 Common Shares at a share price of CAD $0.44.

(2) Issued 5,424,122 Common Share purchase warrants at an exercise price of CAD $1.20 per warrant, with respect to the completion of a NurExone Ltd Private Placement from August to December 2021, for a total of 5,424,122 Common Shares at a share price of CAD $0.44.

(3) Prior to the filed filing statement dated May 12, 2022, the convertible notes and accrued interest thereon were fully converted on April 30, 2022 (**"conversion date"**), into a total of 2,684,249 Common Shares and 1,374,573 Common Share purchase warrants at an exercise price of CAD $1.20 per warrant.

A total of 1,091,974 Common Share purchase warrants as of December 31, 2021, and 28,406 Common Share purchase warrants as of the conversion date were re-measured at a fair value of $58.

(4) An additional 254,193 Common Share purchase warrants issued pursuant to the convertible notes, as of the conversion date, were accounted at first at a fair value of $19, and the total warrants derivative amounted to $77, as of the RTO acceptance date, was allocated as warrants equity.3,927,000 warrants were exercised by TRDF on February 7, 2022, resulting in the issuance of 3,927,000 Common Shares at a share price of CAD $0.005 per Common Share.

(5) In connection with the RTO, EnerSpar completed a subscription receipt financing, resulting in the issuance of 4,551,814 Common Shares and 4,551,814 Common Share purchase warrants with an exercise price of CAD $1.20 per Common Shares upon completion of the RTO.

(6) Prior to the completion of the RTO, NurExone Ltd. completed a private placement financing of Common Shares and warrants of NurExone Ltd. (assuming completion of the RTO, such share and warrant issuance was equal to 2,465,221 Common Shares at a share price of CAD $0.44 per Common Share and 2,465,221 Common Share purchase warrants at an exercise price of CAD $1.20 per Common Share).

Options

The number of Common Shares reserved for issuance to participants under the equity incentive plan of the Company and all other share compensation arrangements of the Company (including the Common Shares reserved for issuance pursuant to the option plan of the Company that was in effect prior to the adoption of the equity incentive plan) is set at a fixed limit of up to an aggregate of 7,691,891 Common Shares, such number being equal to approximately 18% of the issued and outstanding Common Shares following the annual and special meeting of shareholders which held on December 19, 2022. If any award is terminated, cancelled, forfeited or has expired without being fully exercised, any unissued Common Shares that had been reserved to be issued upon the exercise of such award will be returned to the total share authorization described herein and become available to be issued under awards subsequently granted under the equity incentive plan.

As of December 31, 2022, the Company had 3,633,396 Common Shares available for issuance pursuant to the exercise or vesting of awards under the Company's equity incentive plan.

	Number of Options (*)
Share options outstanding as of December 31, 2020	**12,500 (**)**
Grant of NurExone options on August 26, 2021	3,947,995
Cancellation of NurExone options on November 14, 2021	(125,800)
Share options outstanding as of December 31, 2021	**3,834,695**
Grant of NurExone options on January 23, 2022	374,000
Forfeiture of NurExone options on March 31, 2022	(44,200)
Expiry of EnerSpar options on May 4, 2022	(12,500) (**)
Forfeiture of NurExone options in December 2022	(93,500)
Share options outstanding as of December 31, 2022	**4,058,495**

(*) The share split has been retroactively presented in all periods. All share options at an exercise price of CAD $0.80.
(**) 12,500 share options of EnerSpar granted to a director that were expired unexercised.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the Company's consolidated financial statements of cash flows for the year ended December 31, 2022, and 2021:

(USD in thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Cash used in operating activities	$ (3,848)	$ (1,232)
Cash used in investing activities	(89)	(19)
Cash generated from financing activities	4,295	3,463
Effect of exchange rate changes on cash	(109)	-
Change in cash during the period	249	2,212
Opening cash balance	2,214	2
Ending cash balance	$ 2,463	$ 2,214

Cash flows from operating activities

The cash used in operating activities for the year ended December 31, 2022, was $3,848, as compared to the year ended December 31, 2021, being $1,232, which represents a decrease of $2,616, was largely attributable to:

- The net loss for the year ended December 31, 2022, was $8,169, as compared to the year ended December 31, 2021, being $1,647, which represents an increase of $6,522.
- The depreciation and amortization for the year ended December 31, 2022, was $6, as compared to the year ended December 31, 2021, being $0.
- The share-based compensation for the year ended December 31, 2022, was $233, as compared to the year ended December 31, 2021, being $174, which represents an increase of $59.
- The interest expenses on convertible notes for the year ended December 31, 2022, was $30, as compared to the year ended December 31, 2021, being $12, which represents an increase of $18.
- The revaluation of financial derivatives for the year ended December 31, 2022, was $158, as compared to the year ended December 31, 2021, being $(60), which represents an increase of $218.
- The revaluation of royalty payments for the year ended December 31, 2022, was $66, as compared to the year ended December 31, 2021, being $0.
- The compensation for consultants through share issuance for the year ended December 31, 2022, was $1,744 as compared to the year ended December 31, 2021, being $0.
- The reverse takeover transaction cost for the year ended December 31, 2022, was $1,847 as compared to the year ended December 31, 2021, being $0.
- The employees and payroll accruals for the year ended December 31, 2022, was $276, as compared to the year ended December 31, 2021, being $87, which representing an increase of $189.
- The other receivables for the year ended December 31, 2022, was $10, as compared to the year ended December 31, 2021, being $55, which represents a decrease of $45.
- The other payables for the year ended December 31, 2022, was $29, as compared to the year ended December 31, 2021, being $257, which represents an increase of $286.

Cash flows from investing activities

The cash used in investing activities for the year ended December 31, 2022, was $89, as compared to the year ended December 31, 2021, being $19, which represents an increase of $70, was largely attributable to:

- The purchase of property, plant, and equipment for the year ended December 31, 2022, which amounted to $52, as compared to the year ended December 31, 2021, being $0.
- The restricted deposit for the year ended December 31, 2022, was $37, as compared to the year ended December 31, 2021, being $19, which represents an increase of $18.

Cash flows from financing activities

The cash used in financing activities for the year ended December 31, 2022, was $4,295, as compared to the year ended December 31, 2021, being $3,463, which represents an increase of $832, was largely attributable to:

- The increase in proceeds from the issuance of subscription receipts for the year ended December 31, 2022, was $1,027, as compared to the year ended December 31, 2021, being $0.
- The decrease in proceeds from the issuance related to a private placement for the year ended December 31, 2022, was $1,304, as compared to the year ended December 31, of 2021, being $2,226 represents a decrease of $922.
- The decrease in proceeds from the issuance ofconvertible notes for the year ended December 31, 2022, was $111, as compared to the year ended December 31, 2021, being $1,119, represents a decrease of $1,008.
- The increase in proceeds from the issuance of consultants and founders for the year ended December 31, 2022, was $43, as compared to the year ended December 31, 2021, being $0.
- The increase in proceeds from the issuance of warrants reserve for the year ended December 31, 2022, was $148, as compared to the year ended December 31, 2021, being $0.
- The increase in cash received through reverse takeover completion for the year ended December 31, 2022, was $1,677, as compared to the year ended December 31, 2021, being $0.
- The decrease in proceeds from derivatives for the year ended December 31, 2022, was $0, as compared to the year ended December 31, 2021, being $118, pursuant to a private placement.
- The increase in payment of lease liabilities for the year ended December 31, 2022, was $15, as compared to the year ended December 31, 2021, being $0.

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

The main financial commitments of the Company going forward related to costs relating to the TRDF lab services, as set out under the heading "*Transactions with Related Parties - TRDF Lab Services*".

WORKING CAPITAL DISCUSSION

As of December 31, 2022, the Company had working capital of $2,096 compared with $1,177 as of December 31, 2021. The increase in both periods is primarily due to the increase in cash received in the subscription receipt financing completed in connection with the RTO.

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 its inception, the Company has financed its operations from convertible debt financing and the 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 the year and sets appropriate levels of US dollar cash and cash equivalent balances. By holding US dollars, the Company remains subject to currency fluctuations which affect its loss and comprehensive loss during any given year. As of the year ended December 31, 2022, 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 dollars and New Israeli Shekel, which affects its comprehensive loss during any given year.

The Company will continue to pursue various funding options and opportunities; however, no assurances can be made that the Company will be successful in raising additional investment capital, to continue as a going concern. If the Company is not able to raise capital, the Company will have to reduce its cash requirements by eliminating or deferring spending on research, development and corporate activities. The Company continues to monitor additional opportunities to raise equity capital and/or secure additional funding through non-dilutive sources such as government grants and additional license agreements.

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 maturely and amortized over three years. The lease obligation as of December 31 , 2022, December 31, 2023, and December 31, 2024, amounted to $6, $4, and $2, respectively.

Secured credit lines

As of December 31, 2022, 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 Canadian bank, respectively.

License agreement with TRDF and Ramot

In June 2020, the Company signed an exclusive worldwide license agreement with TRDF and Ramot at Tel Aviv University Ltd ("**Ramot**"), the licensors of the technology regarding the treatment for the reversal or reduction of paralysis following SCI using exosomes (membrane-bound extracellular vesicles). Pursuant to the license, the Company is responsible 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 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 a 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) Equity issuance - the Company issued 1,683,000 Common Shares to Ramot and 3,927,000 warrants to purchase Common Shares to TRDF, with each warrant exercisable for one Common Share at a price of CAD $0.005 per share, which were fully exercised in February 2021, for a total amount of $16. The Common Shares disclosed are on the basis that they represent Common Shares of the Company after giving effect to the RTO.
(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% and not more than 4.25% of the net sales of the sublicensee.
(d) A minimum royalty payment of $20 payable as of the 3rd anniversary, which shall increase by 30% every year, to a limit of $50.
(e) The Company shall also pay sublicense fees at the rate of 16%.

The fair value of the future payments described above in (c) and (d) was valued at $90, as of December 31, 2022.

Sponsored research agreement with TRDF

Further to described sponsored research agreement under the heading "*Transactions with Related Parties*", the Company has a further commitment of $137 for a service period from January to September 2023, which has been paid in February 2023.

OFF-BALANCE SHEET ARRANGEMENTS

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

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 (USD in thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Key management personnel - Salary and related expenses	$ 562	$ 181
Key management personnel - Share-based compensation	81	77
Director's fees - Service provider expenses	11	-
Director's fees - Share-based compensation	$ 13	$ 5

Balances (USD in thousands)	December 31, 2022	December 31, 2021
Balances owing to the CEO	$ 80	$
Balances owing to the CFO	80	12
Balances owing to the VP of Strategic Development	56	18
Balances owing to directors	$ 29	$

Issuance of Common Shares to Directors

A total of 117,033 Common Shares were issued as a debt settlement, which debt amounted to CAD $94 owed to a director of the Company that was a creditor of EnerSpar, at a share price of CAD $0.80.

TRDF Lab Services

TRDF is a key vendor and main shareholder, which holds 9% on a fully diluted basis.

On June 23, 2020, NurExone Ltd and TRDF signed on a Sponsored Research Agreement from September 2020 to October 2021.

On October 21, 2021, NurExone Ltd signed the first amendment to extend the agreement until March 31, 2022, in the same consideration.

On April 1, 2022, NurExone Ltd signed a second amendment to extend the agreement until September 30, 2023, for a total consideration of $411 in three (3) equal installments on a half-year basis, as follows: Q2-2022, Q4-2022, Q2-2023. In the event that the Company decides to terminate the service agreement, this would not result in the termination of the License Agreement with TRDF.

On May 15, 2022, NurExone Ltd signed on lab services agreement with TRDF from May 2022 until December 2022 for a total consideration of $30 in two (2) equal installments.

On February 27, 2023, NurExone Ltd signed on lab services agreement with TRDF from January to June 2023, for a total consideration $43 in two (2) equal installments.

The transactions and balances of the Company to TRDF are as follows:

Assets related to related party

	December 31, 2022	December 31, 2021
Other receivables	$ 65	$ -

Liabilities related to related party

	December 31, 2022	December 31, 2021
Other account payables	$ -	$ 59

Expenses

	Year ended December 31, 2022	Year ended December 31, 2021
Transactions	$ 336	$ 464

OUTSTANDING SHARE DATA

As of March 29, 2023, the outstanding shares data is as follows:

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

(2) 4,058,495 options outstanding with each option exercisable for one Common Share at an exercise price of CAD $0.80 per Common Share.

(3) 15,223,806 Common Share purchase warrants outstanding, each of which represents the right to acquire one Common Share at an exercise price of CAD $1.20 per Common Share.

CRITICAL ACCOUNTING ESTIMATES JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions in the application of the Company's accounting policies. These may affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, which are revised on an ongoing basis.

Judgments

As the basis for its judgments, management uses estimates and related assumptions which are based on previous experience and various commercial, economic and other factor that are considered reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Actual outcomes may differ from these estimates under different assumptions and conditions. Judgments relate to the following:

Estimates

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's financial position are the share-based compensation expenses and the fair value valuation of warrants, convertible notes and anti-dilution terms attached to share issuances.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options, warrants, convertible notes and anti-dilution terms.

In estimating the fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk-free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in different outcomes.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES

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

(1) Credit risk:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash. The Company's cash balance was held at major Canadian and Israeli institutions. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(2) Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due by raising sufficient funds. As of December 31, 2022, the Company had a $2,096 current liabilities exceeded its total assets (December 31, 2021 - $1,177), and the Company has little exposure to liquidity risk, as it will balance expenditures with available working capital and its available funds are held in appropriately liquid instruments in extremely credit-worthy financial institutions. The Company is in the research and development stage and has incurred losses with no expectation for any revenue in the further period and expects to continue to finance itself through raising adequate funds in the foreseeable future. Management believes the Company may not have sufficient funds to cover planned operations throughout the next twelve months. However, management may secure additional financing through the issue of new equity and/or debt. There is no assurance that these initiatives will be successful. These events and conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

(3) Capital management:

The Company considers its capital to be comprised of shareholders' equity. The Company's objectives in managing its capital are to maintain its ability to continue as a going concern and to further develop its business.

(4) Foreign currency risk:

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The functional currency of the Company is the Canadian dollar, and the functional currency of the subsidiary, NurExone Ltd is the New Israeli Shekel. The Company does not currently enter into forwarding contracts to mitigate this risk. The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates.

As of December 31, 2022, a 5% increase/decrease in the NIS/CAD currency rate would decrease/increase the net loss by $9 (2021 - $56).
As of December 31, 2022, a 5% increase/decrease in the NIS/USD currency rate would increase/decrease the net loss by $8 (2021 - $84).

(5) Fair values:

The carrying values of other receivables approximate their fair values due to their short terms to maturity. The cash is valued using quoted market prices in active markets.

RISKS AND UNCERTAINTIES

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

Global Business Conditions

During 2022, a variety of external factors, including the ongoing coronavirus infectious disease 2019 (COVID-19) pandemic and the global political conflict in Ukraine have increased market volatility and uncertainty. We continue to monitor the effects of COVID-19, which has caused significant disruptions around the world. Measures implemented around the world in attempts to slow the spread of COVID-19 have had, and will likely continue to have, a major impact on clinical development, at least in the near term, including shortages and delays in the supply chain, and prohibitions in certain countries on enrolling patients in new clinical trials. While we have been able to progress with our preclinical activities to date, it is not possible to predict if the COVID-19 pandemic will materially impact our plans and timelines in the future.

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

The Company plans to continue normally addressing the changes and trying to anticipate the contingencies that the economic conditions may generate, the Company has implemented all the processes and actions necessary so that the impact of the economic conditions is the least possible.

SUBSEQUENT EVENTS

(1) On January 11, 2023, the Company signed a services agreement with Only Orphans Cote LLC (**"Only Orphans Cote"**). Only Orphans Cote will write the FDA Orphan Drug Designation application for the Company drug treatment of acute spinal cord injury, which is expected to be completed within three to four weeks of executing an engagement letter. The Company shall pay $41 for the service in two installments: 50% payment due upon return of the signed proposal, and the remaining 50% balance due upon completion of the final draft.

(2) On January 17, 2023, the Company signed a services agreement with Bio Pharmax Group (1996) Ltd. (**"Bio Pharmax"**). Bio pharmax shall provide detailed design for the research labs, which are expected to be built by the Company. The Company shall pay $27 plus VAT for the service in two installments: 50% upfront payment, and the remaining 50% balance upon design completion, but not before April 1, 2023.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com as well as on the Company's website at www.nureoxne.com. Such additional information, including any information available on the Company's website, is not incorporated by reference herein and should not be deemed to be made part of this MD&A.

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